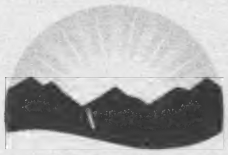
Annual Report | 2013/14

BCTransit
Connecting People and Communities



BRITISH
COLUMBIA

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Message from the Chair to the Minister Responsible

Minister of Transportation and Infrastructure and Minister Responsible for BC Transit

In 2013/14, more British Columbians chose to use BC Transit, with ridership across the province increasing by 2.7 per cent. This increased ridership was supported by our highest ever customer satisfaction scores. These gains can be attributed to ongoing efforts to maximize the efficiency and effectiveness of existing services to meet customer needs.

In an environment of fiscal restraint, cost containment was a notable achievement, with operating costs below budget by $8.7 million (3.8 per cent). Our ability to leverage our shared services model to achieve economies of scale in fuel and parts procurement, professional expertise, and the use of common resources assisted us in meeting this objective. Revenue increased by $1.2 million (1.8 per cent) from last year, allowing us to recognize an operating cost recovery of 31.1 per cent which benchmarks favourably to industry. In addition, BC Transit negotiated two commercial revenue contracts and we continue to investigate the feasibility of new opportunities that will offset the burden on our funding partners and taxpayers.

This was an exciting year with regard to technology and innovation at BC Transit. We successfully completed the hydrogen fuel cell demonstration project in Whistler, and introduced our first fleet of compressed natural gas (CNG) fuelled heavy duty buses to the Regional District of Nanaimo. These CNG buses are quieter and will reduce our reliance on volatile diesel markets. We also put our first fleet of medium duty Vicinity buses into service in communities across the province. These 28 foot buses will allow us to right-size our fleet in communities that will benefit from a smaller, more cost effective bus than a traditional 40 foot model. Affordability of infrastructure replacement and expansion continues to be a primary concern and as such, we are committed to testing fleet alternatives that will meet service requirements while contributing to our financial sustainability.

Over the past year, BC Transit completed several short- and long-term planning initiatives to ensure transit networks responded to individual community and regional needs. The ability for local government partners to fund service expansions continues to be constrained; therefore, it was essential to maximize existing service hours through efficiency reviews in an effort to increase ridership. Transit Future Plans were approved for Prince George, Nanaimo, Sunshine Coast and the North Okanagan, multiple service reviews or feasibility studies were finalized, and BC Transit implemented over 40 service changes in over 40 communities targeted to increase the number of passengers carried per capita and per hour of service. Together with our local government partners, we introduced service to Ladysmith, enhanced regional connections in the South Okanagan and created an integrated regional transit system in West Kootenay.

In addition, significant planning and implementation commenced on technology enhancements that will further improve the customer experience, such as our new online presence, transit priority improvements and an automatic vehicle locator pilot program in Kelowna. We look forward to launching these improvements in 2014/15.

Our success this year is credited to our dedicated staff and partnership with provincial and local governments. BC Transit worked with the Province and UBCM to implement the majority of the recommendations made within the 2012 Independent Review that did not require legislative changes. Process enhancements have been made in many areas, including the development of a robust communications framework, enhanced system performance standards and monitoring, and budgeting tools. As a result of these collaborative process improvements, local government partners rated BC Transit's partnership satisfaction survey scores as 6.1 per cent higher than last year.

As we move into 2014/15, we will continue to focus on achieving value for our customers, funding partners and the taxpayers of British Columbia. We look forward to working with our partners to further encourage ridership growth, increase revenue, and control costs, all while achieving a high level of customer service.

Kevin Mahoney
Chair

Accountability Statement

BC Transit's 2013/14 Annual Report was prepared under the direction of the BC Transit Board of Directors (the "Board") in accordance with the *Budget Transparency and Accountability Act* and the B.C. 2013/14 Crown Corporation Annual Report Guidelines. The information presented was prepared in accordance with the B.C. Reporting Principles[1] and represents a comprehensive picture of BC Transit's actual performance for the 12 months ended March 31, 2013 in relation to its *2013/14 – 2015/16 Revised Service Plan.*

The Board is accountable for the contents of the report, including the selection of performance measures and how results have been reported. The measures presented are consistent with BC Transit's goals and objectives, and focus on aspects critical to the organization's performance.

This report contains estimates and interpretive information that represent the best judgment of management. The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant assumptions, policy decisions, events and identified risks, as of March 31, 2014 have been considered in preparing the report. Any changes in mandate, direction, goals, strategies, measures or targets made since the *2013/14 – 2015/16 Revised Service Plan* was released and any significant limitations in the reliability of data are identified in the report.

Kevin Mahoney
Chair

1 https://www.bcauditor.com/resources

03 Organization Overview

Legislated Mandate

Vision, Mission and Values

Benefits of Services

Partners and Stakeholders

Core Business Areas

Corporate Governance

Organization Overview

Legislated Mandate

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation across British Columbia with the exception of those areas serviced by TransLink (Metro Vancouver). More than 1.6 million British Columbians in over 130 communities across the province rely on BC Transit for local and regional transit services.

According to the *British Columbia Transit Act* (Section 3.1), BC Transit has a mandate to:

> "... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas, to provide for the maintenance and operation of those systems, and with the approval of the minister, to pursue commercial opportunities and undertake or enter into commercial ventures in respect of those systems and the authority's assets and resources."

BC Transit's activities include planning, financial management, marketing, asset management, supply chain management, the provision of safety and human resources expertise and contracting for the operation of transit services. BC Transit also operates the Victoria Regional conventional transit system.

The funding of transit service is provided by customer fares and through a partnership of local governments and the Province through BC Transit.

BC Transit's corporate office is located in Victoria, British Columbia.

Vision, Mission and Values

VISION

To connect people and communities to a more sustainable future.

MISSION

Through the strength of our people and partners, we provide safe, effective and efficient customer-focused transportation solutions.

VALUES

Safety – We will ensure the safety of our employees, customers and transit systems.

Customer Service – We will work with our customers to meet their needs and exceed their expectations.

Sustainability – We will continuously improve and be accountable for our financial, environmental and social results.

Integrity – As stewards of public resources, we will use our assets prudently and conduct ourselves honestly and respectfully.

Innovation – We will pursue opportunities to enhance value for our customers.

Collaboration – We will cultivate strong partnerships, community connections and links to other types of travel.

Benefits of Services

BC Transit connects people, communities and businesses across the province through cost-effective, sustainable public transit. These services contribute to government objectives and deliver public benefits in four key areas:

- Contribute to the economic, social and environmental sustainability of the province's communities through efficient and effective public transit
- Increase the mobility of the aging population and providing improved transit to support aging in place
- Support rural and First Nations communities by linking them to regional services
- Support the achievement of climate change initiative goals.

To deliver these benefits, the following five long-term objectives form the foundation of the BC Transit Strategic Plan and are used to guide business activities:

Develop Financial Sustainability – Ensure the long term viability of transit by systematically renewing and revising revenue sources, structures and internal processes.

Deliver Operational Excellence – Deliver safe, reliable, easy to use services that continuously improve through active public engagement.

Support and Shape Livable Communities – Encourage transit-supportive community planning and development to facilitate movements by walking, cycling and transit.

Change the Perception of Transit – Target transit messaging and advocacy to build public support and attract customers.

Strengthen our People and Partnerships – Create an adaptable, socially responsible organization that lives its values, develops its employees and partnerships, and attracts new people and opportunities.

These objectives frame the strategies and initiatives presented in BC Transit's provincial Service Plan and the performance measured in this Annual Report.

The scope of BC Transit's program as of March 31, 2014:

- Provides services to over 130 communities across B.C. in collaboration with 59 local government partners
- Contracts with 18 private management companies, 6 public operating organizations and 13 non-profit agencies
- Carries 51 million passengers annually
- Serves more than 1.6 million people in B.C.
- Operates 83 transit systems – conventional, community, custom and paratransit
- Owns a fleet of 1,052 conventional and double-deck buses and minibuses
- Total operating expenditures in 2013/14 of $222.3 million
- Total capital expenditures in 2013/14 of $79.4 million

Partners and Stakeholders

BC Transit works with its funding partners, the Province and local governments, to deliver transit services in communities throughout British Columbia. Stakeholders include customers, local governments, operating companies, First Nations communities, health authorities, post-secondary institutions, major employers, school districts, resident's associations, recreational facilities and others.

In the Capital Regional District, BC Transit operates the regional conventional transit system and contracts the service delivery of custom transit. The governance is set out in the *British Columbia Transit Act* and is overseen by the Victoria Regional Transit Commission (the "Commission"), a board of provincially-appointed local government representatives. The Commission makes decisions regarding service priorities, fares and local taxation for transit purposes.

In other parts of the province, BC Transit contracts service delivery to operators – including local government, not-for-profits and independent businesses – based on operating agreements. Services are formalized through a Transit Service Agreement and two operating agreements which are approved by local governments and the operator: a Master Operating Agreement (MOA) and an Annual Operating Agreement (AOA). BC Transit oversees operations to make sure service delivery targets are achieved.

Sponsoring local governments provide a portion of funding for transit systems (less provincial funding and passenger fares), approve service levels and fare structures, maintain transit infrastructure such as bus stops, exchanges and shelters, and help promote ridership.

Operators are responsible for delivering services specified in local operating contracts, providing trained staff to meet operating standards for safety and quality, and managing labour relations.

Communities served by BC Transit are highlighted on the System Map, provided in Appendix A8 of this report.

Core Business Areas

BC Transit's core business is the delivery of public transit services. This includes:

Conventional and Community transit which serves the general population in urban and suburban settings and offers scheduled bus service that operates on fixed routes. Vehicles are mobility aid accessible and range in size from small to double-deck buses to best match ridership and community needs. In 2013/14, conventional and community transit services managed by BC Transit provided 43.7 million passenger trips, up 3.0 per cent from the previous year.

Custom transit which employs small buses and taxis to deliver door-to-door handyDART service for passengers with disabilities who cannot use conventional transit. Contracted taxi supplement and taxi saver (discounted coupon) programs offer additional flexible service to complement custom transit and adapt to customer needs. Custom transit provided 1.1 million passenger trips in 2013/14, which is the same as last year.

Paratransit which serves small town, rural and First Nations communities as well as some suburban areas using small and medium-sized buses and taxis for flexible routing and schedules. In 2013/14, paratransit provided 1.1 million passenger trips, down 8.3 per cent from last year. This drop is primarily a result of some paratransit services moving to conventional transit.

To deliver these services, and based on the mandate and roles outlined in the *British Columbia Transit Act*, BC Transit's key business activities include:

Funding 48.0 per cent of transit system costs on a corporate-wide basis are funded by the Province, with cost-sharing for individual systems ranging from 31.7 per cent to 66.7 per cent based on provincial regulations.

Operating the Victoria Regional Transit system conventional service (providing over 25 million passenger trips a year).

Financial management to ensure the cost-effective use of provincial funding towards the delivery of public transit services.

Contract and risk management to ensure contract development, oversight, management of insurance, claims and legal activities.

Local government collaboration to ensure operational plans meet local needs, integrate services across municipal boundaries, and build collaboration on ways to improve transit service efficiency and effectiveness.

Operational planning and scheduling to ensure transit services can reliably meet the service levels set out in local service agreements at agreed-to funding levels.

Operational delivery and performance management to ensure transit services meet operational goals, provide a safe and convenient service to customers, and quickly resolve any service disruptions or other issues.

Transit system planning to integrate future transit services into community sustainability, meet social needs, and support community growth and development plans.

Corporate and capital planning to ensure that the transit fleet and supporting facilities infrastructure can meet existing needs, that planned growth is financially sustainable, and the organization is meeting its performance objectives.

Marketing, branding and community relations to build interest in public transit, increase ridership, and support provincial goals related to carbon reduction (greenhouse gas emissions).

Asset management to specify, test and acquire fixed assets (facilities and equipment) and transit vehicles, set maintenance standards and conduct asset inspections. Asset management employs strategies to ensure the most efficient and sustainable use of the company's assets.

Supply chain management to ensure the timely provision of fuel and inventory throughout the province on a cost-effective basis.

Safety, training and security to promote safety initiatives, standardize training and support policies to meet security and safety standards.

Professional services including environmental, human resources and procurement.

More information on BC Transit's shared services model can be found in Appendix A1.

Corporate Governance

Pursuant to the *British Columbia Transit Act*, as a provincial Crown Corporation, BC Transit and its Board of Directors are accountable to Provincial Government.

The Provincial Government, as the representative of the public at large, is the sole shareholder of BC Transit. The Province establishes guiding principles for the governance of its Crown agencies through its annual Letter of Expectations: this records a joint understanding between Government and BC Transit over its mandate, public policy issues, strategic priorities and performance.

BOARD OF DIRECTORS

BC Transit is governed by a seven member Board appointed by the Province according to the requirements of the *British Columbia Transit Act* (the "*Act*") (Section 4.1). The *Act* requires four of the Board members to be local government elected representatives. The Board, through the Chair, reports to the Minister of Transportation and Infrastructure (designated as the Minister Responsible for BC Transit).

The Board is governed according to the Province of B.C.'s *Best Practices Guidelines Governance and Disclosure Guidelines for Governing Boards of B.C. Public Sector Organizations ("Best Practices Guidelines")*. The Board also draws its governance principles from these Guidelines. BC Transit's full board governance disclosure is published and maintained on the BC Transit public website and includes all information required by the Board Resourcing and Development Office.[2]

The members of the Board are:

Mr. Kevin Mahoney, North Vancouver (Chair)

Councillor Susan Brice, District of Saanich

Mr. Kelly Cairns, Kelowna

Mr. Bob De Clark, Nanaimo

Mayor Mary Sjostrom, City of Quesnel

Mayor Peter Milobar, City of Kamloops

Mayor Carol Hamilton, City of Colwood

The role of the Board is to establish the long-term strategic direction of BC Transit. It is responsible for approving the three-year Service Plan and the annual business plan presented by management, allocating the provincial grant to achieve government expectations, approving operating and capital budgets and major capital projects, appointing the Chief Executive Officer, and monitoring the performance of management towards short-term and long-term business and strategic goals.

The Board has one standing committee: the Audit, Finance and Risk Management Committee. The purpose of this committee is to review and oversee financial reporting, internal controls, external audits, and risk management.

The Committee is comprised of at least three Board members elected annually by the Board of Directors. Existing membership is:

Mr. Kelly Cairns, Committee Chair

Mr. Kevin Mahoney

Councillor Susan Brice

2 http://www.bctransit.com/corporate/general_info/pdf/Good_Practices_Checklist-August_2012.pdf

With respect to budget development, corporate budget submissions are approved by the Board and forwarded to the Minister Responsible for review and presentation to Treasury Board. Once provincial funding is approved, local funding requirements are submitted for the endorsement of the appropriate local government partner. Provincial funding is provided through the public transportation sub-vote of the Ministry of Transportation and Infrastructure.

More information about BC Transit's corporate governance is available on the company website.[3]

SENIOR LEADERSHIP TEAM

Manuel Achadinha, President and CEO

Brian Anderson, Vice President, Operations and COO

Anwar Chaudhry, Vice President, Finance and CFO

Aaron Lamb, Executive Director, Asset Management

Erinn Pinkerton, Executive Director, Business Development

The senior leadership team takes an inclusive and hands on approach to aligning operational activities to achieve organizational goals and objectives.

3 http://www.bctransit.com/corporate/general_info/governance.cfm

09 The Year's Accomplishments

The Year's Accomplishments

2013/14 Performance Summary

- Delivered a total of 51.0 million passenger trips.
- Increased ridership by 2.7 per cent, with notable increases in Agassiz, Chilliwack, Cowichan Valley Commuter, Comox Valley, Ladysmith, Nanaimo, Pemberton, Salt Spring Island, Squamish, Summerland and Victoria.
- Introduced new fixed-route local transit service to Ladysmith and the District of Summerland, as well as expanded regional connections.
- Increased service hours by 2.7 per cent, with notable increases in Campbell River, Central Fraser Valley, Chilliwack, Cowichan, Fort St. John, Kimberley, Nanaimo, Ladysmith, Penticton, Revelstoke, Salt Spring Island, Summerland, Squamish and Victoria.
- Operating costs were $8.7 million under budget while operating cost recovery was 2.6 per cent above budget. This illustrates BC Transit's commitment to providing the most effective and efficient services possible.
- Celebrated long-term conventional service to communities across British Columbia, including 35 years in Prince George and 20 years in Parksville-Qualicum Beach. Also celebrated long-term paratransit service including 15 years in Clearwater and area, Hazelton's region and Nelson-Slocan Valley, and five years in Salt Spring Island and Mount Waddington.

In 2013/14, BC Transit was successful in increasing ridership across the province, maximizing the performance of individual transit systems, containing costs, and further strengthening relationships with funding and operating partners. Capital investments in new fleet alternatives will reduce BC Transit's reliance on diesel fuel markets and provide fleet right-sizing options to better meet community needs, while priority corridor infrastructure will enhance the public's perception of transit. Working closely with employees, BC Transit is also creating a strong corporate culture built on teamwork, communication, learning and development, and talent management.

Maximizing Financial Sustainability – Ensuring a strong financial foundation continued to be a key focus for BC Transit. Financial results for 2013/14 demonstrate this commitment, with operations revenue up 1.8 per cent over last year, and operating cost recovery higher than target. Increasing ridership and maximizing efficiency in service delivery contributed to these results;

however, BC Transit was also successful in decreasing the burden on taxpayers by identifying alternative revenue opportunities and providing fare review recommendations to local government partners. The shared services model, whereby BC Transit was able to achieve bulk savings through fuel and bus procurement was also instrumental in meeting this objective.

Strengthening Partnerships – In August 2012, BC Transit welcomed the recommendations of the Independent Review of BC Transit commissioned by the Minister of Transportation and Infrastructure. The review provided 18 recommendations related to BC Transit's governance; the development and role of transit commissions, particularly the Victoria Regional Transit Commission; strengthening the partnership between BC Transit, local governments, and the Province; and modernizing BC Transit's business.

Significant effort has been placed in responding to the recommendations of the Independent Review. In partnership with the Province and UBCM, the majority of recommendations have now been implemented, including a more robust communications framework, more collaborative processes, enhanced system performance standards and monitoring, and budgeting tools. Progress made in this regard is indicative in the results of BC Transit's annual Partnership Survey, whereby local government partners rated BC Transit's customer service as 6.1 per cent higher than last year and 28.2 per cent higher than targeted.

Ensuring an Effective Transportation System – Over the last year, BC Transit worked with local government partners on several short and long-term planning initiatives to ensure transit systems are effectively structured to meet the needs of customers, as well as encourage new ridership. In July 2013, a single integrated regional transit system was launched in West Kootenay, bringing three local governments and nine transit systems together. Creating a regional system is expected to attract new riders, increase cost savings and make it easier for commuters to travel between communities. Transit Future Plans, which align local land use plans and decision making with investments in transit services and infrastructure, were completed in Prince George, Nanaimo, Sunshine Coast and North Okanagan. Service reviews and feasibility studies were completed in nine communities, with six more underway. In addition, BC Transit implemented over 40 service changes in more than 40 communities, targeted to increase the number of passengers carried per capita and per hour of service.

Substantial progress was also made on major corridor projects within two of BC Transit's largest transit networks. Engineering design, land acquisition and a significant component of the construction was completed on the Kelowna RapidBus Phase 2/3 project, which will extend the RapidBus line along Highway 97 from the City of Kelowna to the District of West Kelowna. The Rutland Exchange was also opened, connecting the frequent transit network from this area

to RapidBus services along the main corridor. Similarly, BC Transit received approval and commenced the construction of transit priority lanes along the Douglas Street corridor in the Victoria region. These projects are expected to improve travel time and reliability by allowing buses to bypass traffic congestion and reach their destinations with ease.

With the growth in aging population and demand for custom transit services, BC Transit made improving accessible transit services one of its top priorities. In partnership with the Comox Valley Regional District and the City of Vernon/District of Coldstream, BC Transit rolled out a pilot program that will improve the custom registration process and ensure applicants are matched to the most appropriate transit service to meet their needs. In the coming months, the results of the program will be monitored and shared with local government partners prior to further roll out across the province.

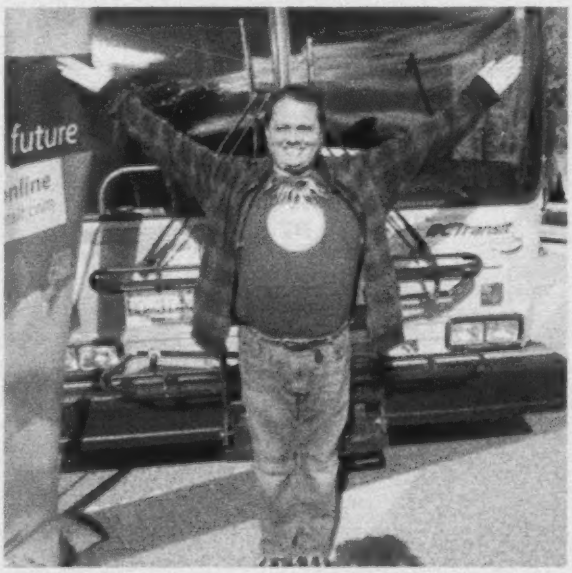
Innovation and Technology – On March 31, 2014, the five-year fuel cell fleet demonstration project in the Resort Municipality of Whistler came to a close. The demonstration project employed the largest fleet of fuel cell buses in the world with the buses accumulating approximately four million kilometres over the five years. The project allowed BC Transit to support the Province in evaluating hydrogen fuel cell bus performance in daily use, encouraging hydrogen technology jobs in British Columbia, contributing to the provincial government's climate action goals, and showcasing British Columbia as a leader in clean energy deployment. With over 5,000 tonnes of GHGs avoided, BC Transit is proud to have been a part of this project and is pleased it met its original goals.

As a leader in technology innovation, BC Transit continued to explore fleet alternatives on the market to better meet service requirements, while also meeting the key objective of financial sustainability. In March 2014, BC Transit welcomed its first phase of compressed natural gas (CNG) heavy duty buses to the Regional District of Nanaimo. These buses, which also provide the benefit of quieter engines and simplified emissions systems, reduce BC Transit's reliance on volatile diesel markets. This will result in greater cost control and predictability for partners. The second phase of buses will enter the Kamloops regional transit system in May 2015. BC Transit also accepted delivery of its full pilot fleet of medium-duty Vicinity buses. These 28 foot buses are efficient and cost effective, and are right-sized to better meet the needs of certain communities than the traditional 40 foot bus.

BC Transit is also testing another medium duty bus that, if successful after trials, may provide further vehicle choice for individual transit systems.

Becoming a Workplace of Choice – Strengthening corporate culture in order to attract and retain qualified staff was a key priority in 2013/14. BC Transit launched its Human Resources Action Plan, with a focus on organizational culture, employee engagement, recruitment, talent management and labour relations. Employee engagement results, which were six per cent higher than the Employee Engagement Survey held in 2011, confirm that progress has been made in key areas, including learning and development, communication, and tools and equipment.

In addition, the company has strengthened its abilities management program to help employees stay at work, or return to meaningful, productive employment following an injury or illness. In 2013, the abilities management team managed 300 claims. Over one hundred employees worked a combined total of 2,425 days of alternate or modified duties, allowing them to recover more quickly while remaining engaged in the workplace. The program also resulted in a savings to BC Transit of $100,000 in non-occupational claims costs, a 22 per cent WorkSafe BC Experience Rated Assessment discount and a Certificate of Recognition rebate of $60,000. The program supports BC Transit's core values while providing safe, timely and sustainable opportunities to assist any injured or ill employee.



13 Performance Report

Goals, Strategies and Performance Measure Results

Performance Management Systems

Benchmarking

Progress on Government's Letter of Expectations

Performance Report

Goals, Strategies and Performance Measure Results

This performance report highlights BC Transit's results achieved for the fiscal year ending March 31, 2014. The five goals presented in this section are unchanged from the previous Annual Report and the *2013/14 – 2014/15 Revised Service Plan*. These goals were first published in *Shaping our Future*[4], the strategic plan developed in response to the *Provincial Transit Plan*[5]

As part of BC Transit's focus on continuous improvement, some of the strategies, performance measures and targets have been updated in the *2014/15-2016/17 Service Plan* to reflect the present business environment and best practices. Three of the measures from the *2013/14-2015/16 Revised Service Plan* have been removed (passengers per capita, level of perceived transit improvement and level of perceived transit importance) as it was difficult to set appropriate targets or control the results. BC Transit will continue to track and monitor these measures internally as they provide contextual information to support internal decision making processes. Two of the measures from the *2013/14-2015/16 Revised Service Plan* have been combined (passenger trips and service hours) to provide a measure that reflects operational effectiveness (passenger trips per service hour), which is reflected under Goal 1: Financial Sustainability in the *2014/15-2016/17 Service Plan*. In addition, where appropriate, metrics will be differentiated between conventional and custom services as operating models differ between these transit types; therefore, expectations regarding performance and trends will be unique for each type of service. See Appendix A2 for a complete listing of the measures and targets used in the *2014/15-2016/17 Service Plan*.

A discussion of Opportunities and Risk Factors and Organizational Capacity affecting the 2013/14 performance outcomes (as indicated in the table below), as well as financial outcomes is presented in the Management Discussion and Analysis section on page 35.

4 http://www.bctransit.com/2030/
5 http://www.th.gov.bc.ca/transit_plan/

BC Transit Performance Measurement Results 2013/14

Goal	Strategies	Measures	2011/12 Result	2012/13 Result	2013/14 Result	2013/14 Target	2014/15 Service Plan Target	2015/16 Service Plan Target	2016/17 Service Plan Target
Goal 1: Develop financial sustainability	Increase non fare and fare based revenue	Operating cost recovery	33.3%	32.7%	31.1%	30.3%	These measures have been separated by conventional and custom services in the *2014/15 - 2015/16 Service Plan.*		
	Cost efficiencies	Operating cost per passenger trip	$4.00	$4.19	$4.36	$4.41			
Goal 2: Support and shape livable communities	Integration	Passenger trips per capita	32.5	31.5	30.2	31.0	This measure has been eliminated in the *2014/15 - 2016/17 Service Plan.*		
	Planning	Proportion of Transit Future Plans completed in major urban centres	29%	50%	79%	79%	93%	100%	100%
Goal 3: Change the perception of transit	Promotion	Level of perceived transit service improvement	33%	32%	31%	34%	This measure has been eliminated in the *2014/15 - 2016/17 Service Plan.*		
	Awareness	Brand recognition	26%	29%	28%	29%	30%	31%	32%
	Support	Level of perceived transit importance (on a scale of 1 to 5)	New measure in 13/14		4.39	4.45	This measure has been eliminated in the *2014/15 - 2016/17 Service Plan.*		
Goal 4: Deliver operational excellence	Safety	Number of passenger injury claims per million passenger trips	2.8	2.5	1.8	3.0	3.0	3.0	3.0
	Service	Passenger trips (000s)	51,041	49,599	50,958	52,360	The *2014/15 - 2016/17 Service Plan* combines passenger trips and service hours into a new measure of "passenger trips per service hour".		
	Effectiveness	Transit service hours (000s)	2,170	2,156	2,214	2,248			
	Performance	Customer satisfaction (on a scale of 1 to 5)	3.66	3.62	3.68	3.65	3.64	3.64	3.64
Goal 5: Strengthen our people and partnerships	Accountability	Carbon intensity per service hour	28.64	28.30	28.35	28.68	28.91	28.90	28.90
	Partnerships	Employee engagement	54%	N/A	60%	56%	57%	60%	63%
	Partnerships	Partner satisfaction (on a scale of 1 to 5)	3.22	3.77	4.00	3.12	3.75	3.75	3.75

See Appendix A2 for a complete listing of the revised measures and targets included in the 2014/15 - 2016/17 Service Plan.

Goal 1 – Develop Financial Sustainability

Sustainable long-term revenue sources are fundamental to the ability of BC Transit to deliver on its mandate now and in the future. Since more than two thirds of total revenues come from provincial and local government sources, the viability of transit service is directly linked to financial support from these levels of government. Maintaining government funding support requires demonstrating the continuing public demand for transit services (as demonstrated through ridership) as well as the cost-effective use of public monies (as demonstrated through operating and administrative efficiency).

Strategies	BC Transit Actions in 2013/2014
Renew and revise fare-based revenue sources and systems to reflect changing ridership patterns and reduce fare evasion.	• Reviewed fares and fare policies in 23 systems (both conventional and custom). Of the 23 systems, nine systems have or will be changing their fare structures for a projected revenue gain. • Commenced the development of Vendor Management Guidelines to support Fare Product Sales across the province. • Introduced the sale of fare products online in two communities.
Develop and take advantage of non fare-based revenue opportunities.	• BC Transit worked with the Ministry of Transportation and Infrastructure to develop policy guidelines identifying the conditions under which BC Transit can embark upon commercial ventures. • Implemented and extended the commercial revenue strategy in Whistler to leverage existing assets to generate ancillary revenue. • Successfully implemented the Greater Victoria Harbour Authority (GVHA) project. BC Transit supplied six buses from the provincial fleet that would otherwise be idle during the slower summer season. Revenue generated from the venture supported transit systems and offset provincial and local government funding requirements. • Pursued incentive funding through FortisBC to offset the capital costs of the CNG bus fleet, and the federal Build Canada Fund for fixed asset projects.
Improve cost control, communication and monitoring processes to mitigate cost volatility, maximize efficiencies and reduce costs.	• Developed a more robust corporate and regional transit system performance monitoring program to enhance evidence-based and timely decisions to drive results. Enables BC Transit to prioritize future investments more effectively by identifying which investments will have the greatest impact. • Implemented BC Transit's improved contracting strategy framework as part of the Request for Proposal for the Kelowna/Vernon Regional Transit operating contract. The new strategy employs methodologies for enhancing bid competition, provides more certainty to both local partners and operating companies, and includes enhanced key performance indicators to measure company success against specific targets. • Achieved purchase discounts averaging approximately 10-11 per cent for heavy duty buses and 3 per cent for light duty buses by placing high quantity orders as part of the provincial fleet management strategy. • Secured volume discounts through the bulk purchase of approximately 23 million litres of fuel, illustrating economies of scale achieved through BC Transit's shared services model. • Deployed 15 medium-duty Vicinity buses in communities around the province. These 28 foot buses are efficient, cost effective and right-sized to better meet community needs.

Strategies	BC Transit Actions in 2013/2014
	• Accepted delivery of BC Transit's first CNG heavy duty bus fleet within the Regional District of Nanaimo. This trial fleet is expected to lower BC Transit's risk related to diesel fuel price fluctuations. • Partnered with New Flyer Industries Canada ULC to test a new, medium-duty bus in the Victoria Regional System. The 35-foot New Flyer MiDi ® is a lighter, more fuel efficient transit vehicle that will provide exceptional maneuverability. • Partnered with the University of Victoria to promote the use of the U-PASS program by supporting the One Card initiative. • Initiated a partnership with Thompson River University in Kamloops to support the implementation of a U-PASS enabled student card.

Performance Measures and Results

Measures	2011/12 Result	2012/13 Result	2013/14 Result	2013/14 Target	2014/15 Service Plan Target	2015/16 Service Plan Target	2016/17 Service Plan Target
Operating cost recovery	33.3%	32.7%	31.1%	30.3%	These measures have been separated by conventional and custom services in the *2014/15 - 2015/16 Service Plan*.		
Operating cost per passenger trip	$4.00	$4.19	$4.36	$4.41			

Measure definition, importance and results

Operating cost recovery is measured by dividing annual passenger and advertising revenue by annual operating cost. The ratio indicates the proportion of costs recovered from operating revenue. A higher cost recovery is desirable, as it reduces the subsidy from the taxpayer. Under the *British Columbia Transit Act*, local governments are responsible for establishing fares and making decisions with respect to trade-offs between fares and property taxes to fund transit service in their communities. These decisions impact the cost recovery ratio as they may reduce or increase operating revenues.

▶ Result: ***Target exceeded.*** Operating cost recovery was 31.1 per cent, 2.6 per cent above the *2013/14 Revised Service Plan* target of 30.3 per cent. This was a result of lower than expected operating costs due to fuel savings and reduced administrative costs, and higher than expected revenue per passenger from systems implementing revised fare structures.

Operating cost per passenger trip reflects annual operating cost divided by annual passenger trips. This ratio indicates how much it costs BC Transit to operate for each passenger trip provided. Increasing cost per passenger trip indicates that costs are growing faster than ridership.

▶ Result: ***Target met.*** Operating cost per passenger trip of $4.36 is 1.1 per cent less than the *2013/14 Revised Service Plan* target of $4.41. While less than target, operating costs still increased year over year as a result of inflationary cost factors.

The above two measures are broken out by conventional and custom services in the *2014/15 Service Plan*, to better reflect the operational effectiveness of these differing transit models.

Looking Ahead: Actions in Progress

BC Transit is working on a number of initiatives to continue to control costs, grow ridership and improve revenue yield. These include:

- Conducting fare reviews and monitoring the progress of prior year's implemented fare strategies
- Develop vendor management guidelines that will assist local partners to increase fare product sales within their communities
- Construction of new CNG fueling infrastructure in Kamloops and the introduction of 25 CNG buses to the regional fleet to further support the use of alternative, less expensive fuels
- Expanding magnetic swipe card technology for U-PASS partners throughout the province

Goal 2 – Support and Shape Livable Communities

BC Transit supports more livable communities, a goal of the *Provincial Transit Plan*, by encouraging transit-supportive community planning and investments to make it easier to get around by walking, cycling and transit. Greater integration between land use development and transit planning enables greener, more sustainable communities and improves the efficiency of transit services and related infrastructure.

Strategies	BC Transit Actions in 2013/14
Increase integration with other types of sustainable travel to enhance transportation options and make it easier for the public to access and use BC Transit services.	• Partnered with the District of Lake Country for the planning and construction of a new Park & Ride at Beasley Park. This Park & Ride, which will include customer amenities such as shelters and bicycle storage, will better enable residents in the area to access transit via private automobile or bicycle. Construction will commence in the spring of 2014. • Developed bicycle infrastructure guidelines for use in the planning and construction of future exchanges and Park & Rides. These guidelines will assist in effectively linking bicycle corridors to transit services. • Worked with the Ministry of Transportation and Infrastructure to develop an inter-city transit policy.
Work with partners to influence land use development patterns that encourage walking and cycling, and increase the effectiveness of transit.	• Completed long term Transit Future Plans for Prince George, Nanaimo, Sunshine Coast and North Okanagan and continued work on Comox Valley, Okanagan-Similkameen and Sea to Sky. These plans align local land use plans and decision making with investments in transit services and infrastructure. • Completed construction on the Rutland exchange in Kelowna. This exchange will link the Rutland community to the Highway 97 RapidBus services. • Provided comment on 84 Development Referrals from 12 local governments to ensure transit requirements are considered in land use decisions.
Identify and establish priority corridors to make transit more attractive and reliable and reduce the impact of congestion on transit services.	• Commenced construction of the next phase of the Kelowna RapidBus project. Phases 2/3 will extend the RapidBus line to West Kelowna with the construction of new exchanges, RapidBus stations, stops, and information technology such as passenger information displays and transit signal priority. • Commenced the implementation of priority bus lanes along Douglas Street in Victoria to increase the efficiency of transit along this primary corridor.

Performance Measures and Results

Measures	2011/12 Result	2012/13 Result	2013/14 Result	2013/14 Target	2014/15 Service Plan Target	2015/16 Service Plan Target	2016/17 Service Plan Target
Passenger trips per capita	32.5	31.5	30.2	31.0	This measure has been eliminated in the *2014/15 - 2016/17 Service Plan.*		
Proportion of Transit Future Plans completed in major urban centres	29%	50%	79%	79%	93%	100%	100%

Measure definition, importance and results

Passenger trips per capita is derived by dividing annual passengers carried by service area population. This provides an indicator of market share (a target set out in the *Provincial Transit Plan*). It demonstrates the impact of efforts to make transit more accessible through integration with other forms of transportation as well as influence land use decisions that support greater transit use (such as densification). Increasing passenger trips per capita reflects the use of the transit system increasing at a rate faster than the population growth in the service area.

▶ **Result:** ***Target not met.*** Passenger trips per capita was 30.2, below the target of 31.0 set for this year in the *2013/14 Revised Service Plan*, and below last year's result of 31.5. This result indicates that the number of passenger trips has not increased as quickly as changes to the service area population. This means the population is growing faster in some communities than demand for transit services.

As part of BC Transit's performance management review, this measure has been eliminated from the *2014/15 Service Plan* due to the inability to materially influence results; however, the measure will still be tracked internally as gives an indication of transit's market share within communities.

Proportion of Transit Future Plans completed in major urban centres measures the alignment of transit planning to local land use planning – including efforts to increase density and build more pedestrian and cycling paths – with investments in transit services and infrastructure. All major urban centers (over 25,000 population) will have a Transit Future Plan developed to create an alignment between local land use plans and decision making and investment in transit services and infrastructure.

▶ **Result:** ***Target met.*** The proportion of Transit Future Plans completed in major urban centers in 2013/14 was 79 per cent, representing the successful completion of plans in Nanaimo, Prince George, Sunshine Coast and North Okanagan. Two Transit Future Plans are slated for completion in 2014/15, including plans for Comox Valley and Okanagan-Similkameen which were worked on extensively in 2013/14.

Looking Ahead: Actions in Progress

BC Transit is working on a number of initiatives to further support and shape livable communities, including:

- Complete Transit Future Plans already underway in Comox Valley and Okanagan-Similkameen, and continue to develop the Transit Future Plan for Sea to Sky
- Complete the construction of Phase 1 priority bus lanes on Douglas Street in Victoria and commence planning for Phase 2
- Complete the construction of stations, stops and exchanges associated with the Kelowna RapidBus Phase 2/3 project
- Encourage local government partners to engage BC Transit in their development application process by highlighting BC Transit's Development Referral Program in all service reviews

Goal 3 – Change the Perception of Transit

Implicit in goals 1 and 2 is the need for effective communication and marketing. To keep existing customers and attract new ones, BC Transit must market its services in competition with private automobiles and reach out to customers in new ways, such as through social media. To help build livable communities, BC Transit must connect with various community and stakeholder groups to build awareness and support for public transportation as an important part of creating sustainable, green communities.

Strategies	BC Transit Actions in 2013/14
Promote sustainable transportation and its role in making livable and sustainable communities.	• In partnership with the Town of Ladysmith and the Cowichan Valley Regional District (CVRD), introduced local transit services in Ladysmith, as well as connections to Chemainus and the rest of the Cowichan Valley Regional Transit System. • Introduced regularly scheduled local transit service in Summerland and expanded regional service to Penticton. • Launched the BC Transit "Ride Together" campaign, encouraging current and potential customers to focus on the relationships that are built around public transportation. • BC Transit staff participated in the development of a number of local government plans, including the Capital Regional District's Regional Transportation Plan and Regional Sustainability Study, the City of Nanaimo Transportation Plan, the City of Courtenay Official Community Plan renewal and the Powell River Regional District Transportation Plan.
Build awareness of BC Transit's services and role as a transportation leader.	• Added the Comox Valley Regional transit system to Google™ Transit. • Laid the foundation for trip planner implementation in further communities by completing the bus stop collection and verification in Central Fraser Valley, Chilliwack, Nanaimo region, Campbell River, Port Alberni and substantially completing Cowichan Valley, Powell River and Sunshine Coast.

Performance Measures and Results

Measures	2011/12 Result	2012/13 Result	2013/14 Result	2013/14 Target	2014/15 Service Plan Target	2015/16 Service Plan Target	2016/17 Service Plan Target
Level of perceived transit service improvement	33%	32%	31%	34%	This measure has been eliminated in the *2014/15 - 2016/17 Service Plan.*		
Brand recognition	26%	29%	28%	29%	30%	31%	32 %
Level of perceived transit importance (on a scale of 1 to 5)	New measure for 2013/14		4.39	4.45	This measure has been eliminated in the *2014/15 - 2016/17 Service Plan.*		

Measure definition, importance and results

Level of perceived transit service improvement is based on the per cent of customer tracking survey respondents who state that transit has improved over the past year. This provides an indicator of service quality (Goal 4) as well as the effectiveness of marketing and communication activities in making customers aware of new services and local transit initiatives.

▶ **Result:** ***Target not met.*** The level of perceived transit service improvement across the province was 31 per cent, below the *2013/14 Revised Service Plan* target of 34 per cent and slightly less than last year's result of 32 per cent. While results improved slightly or remained stable in most major systems, with a significant increase noted in Nanaimo, a fare increase combined with modest service reductions in the Central Fraser Valley caused the perception of service improvement in this transit system to drop substantially. This drop offset gains in other areas, causing the year-over-year results to remain relatively flat.

BC Transit will ensure that marketing messaging highlights positive improvements, including service changes accomplished through reallocating service and improved passenger amenities like bus stop shelters and trip information. In addition, the Central Fraser Valley is undergoing an efficiency service review which will likely result in an improvement of customer perception of service enhancements in upcoming years.

As part of BC Transit's performance management review, this measure has been eliminated from the *2014/15 Service Plan* due to the inability to materially influence results; however, the measure will still be tracked internally as it provides insight into the public's perception of service changes made within their community.

Brand recognition is based on the per cent of customer tracking survey respondents who recognize BC Transit's role in the delivery of transit service in their local transit system. This tracks the effectiveness of marketing and communication programs at building awareness of BC Transit and its leadership role in providing sustainable transportation services to British Columbia, since this messaging is embedded in all branding activities.

▶ **Result:** ***Target not met.*** The level of brand recognition was 28 per cent for 2013/14, slightly below the forecast for this year of 29 per cent. While Whistler and Prince George noted increases in this area, most other provincial systems remained stable. Increases in this measure were offset by a drop primarily in the Central Fraser Valley, causing year-over-year results to remain flat. BC Transit will continue to roll out the corporate brand, provide increased resources for local marketing campaigns, and embark on provincial marketing campaigns to encourage greater brand recognition in the upcoming year.

Level of perceived transit importance measures the average rating of customer tracking survey respondents when asked to rate the importance of transit in their community from one ("not at all") to five ("very important"). This is a new measure included in the *2013/14 Revised Service Plan* that tracks whether customers believe transit has a significant role in shaping sustainable and livable communities.

▶ **Result:** ***Target not met.*** This was a new performance measure introduced in 2013/14 to gage the level of support for transit in communities across the province. The level of perceived transit importance was 4.39, and while the target was not met, the result still represents strong support for transit in communities across the province. Results indicate that customers living in regions with medium to larger sized transit system place a higher importance on transit than customers living in suburban or rural areas. This is likely due to increased investment in transit within more populated regions which allows for the provision of frequent and convenient services, as well as the role transit plays in reducing traffic congestion in urban areas.

As part of BC Transit's performance management review, this measure has been eliminated from the *2014/15 Service Plan* due to the inability to materially influence results; however, the measure will still be tracked internally as it provides insight into the public's opinion towards transit within individual communities.

Looking Ahead: Actions in Progress

BC Transit is working on a number of initiatives to change the perception of transit, including:

- Roll out Google™ Transit online trip planning to Chilliwack and the Central Fraser Valley
- Launch BC Transit's improved, mobile-friendly website for the public, the extranet for our partners and the intranet for our employees. This new digital environment will offer customers easy access to user-friendly schedules and maps, personalized views of transit information for mobile devices, and direct access to preferred routes

Goal 4 – Deliver Operational Excellence

The BC Transit business model is based on developing and delivering safe, reliable, easy-to-use services that continuously improve through active engagement with employees, customers and partners. These services must continuously adapt and improve to meet the needs of customers, especially in the midst of continuing social, technological and community development change.

Strategies	BC Transit Actions in 2013/14
Ensure the safety of employees and customers.	• Developed a Transit Bus Inspection manual that provides improved documentation of the inspection process, goals and expectations. • Under BC Transit's Return to Work program, 101 employees who would otherwise have been off work, completed 2,425 days of alternate or modified duties.
Monitor and address the service reliability and on-time performance of transit systems.	• Implemented a process to monitor system reliability and customer comments for all regional conventional transit systems and began development of a similar process for custom and paratransit systems. • Enhanced a number of daily operational reports used within the Victoria Regional Transit System to improve support for operations, monitoring of system reliability and coordination between front line, supervisory, dispatch, and security staff. • Service Standards and Performance Guidelines were created and locally approved for the Victoria Regional, Prince George, Nanaimo Regional, North Okanagan and Sunshine Coast transit systems and initiated in the Comox Valley, Okanagan-Similkameen, Cowichan Valley and Central Okanagan.
Ensure an effective public transportation system and improve customer service.	• Implemented over 40 service changes in more than 40 communities; targeted to increase the number of passengers carried per capita and per hour of service. • Implemented a regional approach to transit delivery in West Kootenay, bringing three local governments and nine transit systems together into one integrated service. The regional system will provide customers with enhanced connections and a simplified fare structure. • Completed Service Reviews, service analysis documents and implementation plans in the Victoria region, Kelowna region, Kamloops, Whistler, Campbell River, Chilliwack, Comox Valley, Quesnel, Salt Spring Island, Shuswap regional and Summerland areas. • Initiated Service Reviews and service discussion documents in the Central Fraser Valley, Cowichan Valley, Powell River, Salt Spring Island and the Okanagan Falls area of the Regional District of Okanagan-Similkameen, as well as a feasibility service discussion document for the Southern Gulf Islands area of the Capital Regional District. • Implemented Custom Transit Registration pilot projects for Comox Valley Transit and Vernon/Coldstream Regional Transit to trial custom transit registration best practices within the BC Transit context. The pilot involves in-person mobility assessments and is intended to match applicants to the most appropriate transit services available to meet their needs.

Strategies	BC Transit Actions in 2013/14
	• Invested in infrastructure needed to support effective service delivery and service expansion, in particular: » Construction of the Rutland exchange in Kelowna » Commenced construction of stops, stations and exchanges associated with the Kelowna RapidBus Phase 2/3 project » Installation of 46 new bus shelters in 14 communities through the BC Transit Bus Shelter Program » Completed strategic facilities plans for the Victoria Regional Transit system and the Kelowna Regional Transit system, which will help guide investments pertaining to operations and maintenance requirements
Enhance communication and engagement with customers.	• Commenced the implementation of BC Transit's new online presence, which will provide customers with easy access to user friendly schedules and maps, personalized views of transit information for mobile devices, and direct access to preferred routes. • BC Transit's mobile public consultation vehicle, the Transit Future Bus, visited the Kelowna region, Prince George, Victoria, Sunshine Coast, Comox Valley, South Okanagan, and Sea to Sky where feedback from more than 7,200 people was received.

Performance Measures and Results

Measures	2011/12 Result	2012/13 Result	2013/14 Result	2013/14 Target	2014/15 Service Plan Target	2015/16 Service Plan Target	2016/17 Service Plan Target
Number of passenger injury claims per million passenger trips*	2.8	2.5	1.8	3.0	3.0	3.0	3.0
Passenger trips (000s)	51,041	49,599	50,958	52,360	The *2014/15 - 2016/17 Service Plan* combines passenger trips and service hours into a new measure of "passenger trips per service hour".		
Transit service hours (000s)	2,170	2,156	2,214	2,248			
Customer satisfaction (on a scale of 1 to 5)	3.66	3.62	3.68	3.65	3.64	3.64	3.64

**This measure and its results have been restated to reflect passenger injury claims per million passenger trips versus passenger injury incidents per million boardings. This is consistent with the 2014/15-2016/17 Service Plan, and is in line with industry standards for reporting. BC Transit made this change in data collection and reporting methodology in April 2013; subsequently, data for passenger incidents per boarding has not been collected and the results cannot be stated against the original target.*

Measure definition, importance and results

Number of passenger injury incidents per million boardings measures passenger safety. Maintaining and improving safety is of primary importance in BC Transit. It is also fundamental to BC Transit's image and the ability to attract new users. A safe trip from start to finish is a fundamental commitment to both employees and customers.

▶ **Result:** ***Target exceeded.*** The number of passenger injury claims for 2013/14 was 1.8 per million passenger trips, which is significantly less than the 2013/14 corporate target of 3.0. Over the last 12 months, BC Transit has been promoting a program of awareness around passenger safety. Through defensive driving workshops and improved reporting procedures, it is anticipated that passenger injuries as reported to ICBC can be contained at target levels or even trend downwards in upcoming years.

Passenger trips reports riders who have made a one-way trip using transit. It is the primary measure of provincial demand for transit services and demonstrates that fare levels and products, as well as service, continue to meet customer needs. It also tracks BC Transit's progress in meeting ridership targets set in the *Provincial Transit Plan*.

▶ **Result:** ***Target not met.*** The number of passenger trips in 2013/14 was 51.0 million, a 2.7 per cent increase from last year's 49.6 million. The results are 2.7 per cent less than target as less service hours were delivered than originally budgeted; however, passenger trips per service hour indicates the target would have been achieved if all budgeted service hours had been delivered.

It should be noted that this measure has been replaced in the *2014/15 Service Plan* with passenger trips per service hour, which more effectively measures the level of effectiveness of, and the demand for, transit services as provided than passenger trips alone.

Service hours measures the ability of BC Transit, operating partners and local government partners to provide responsive service across the province. Service hour levels are set by local government partners.

▶ **Result:** ***Target not met.*** BC Transit operated 2.21 million service hours across the province in 2013/14, an increase of 2.7 per cent from the previous year's 2.16 million. Service hours were below target due to reduced levels of locally approved service expansions as compared to the Service Plan. BC Transit is continuing to address local funding constraints by working with local governments to develop strategies to contain transit costs and maximize existing service levels through service changes and develop new revenue streams such as leasing out excess facility capacity or vehicles to generate revenue.

It should be noted that this measure has been replaced in the *2014/15 Service Plan* with passenger trips per service hour, which more effectively measures the level of effectiveness of, and the demand for, transit services as provided than service hours alone.

Overall customer satisfaction measures the average rating of customer tracking survey respondents when asked to rate their overall transit experience from one ("very poor") to five ("excellent"). This measure tracks the effectiveness of BC Transit in meeting customer expectations.

▶ **Result:** ***Target exceeded.*** Customer satisfaction in 2013/14 was ranked as an average of 3.68 on a scale of 1 to 5, higher than both the target of 3.65 and results from the last four years. This indicates BC Transit has made consistent improvements in the customer experience.

Looking Ahead: Actions in Progress

BC Transit is working on a number of initiatives to further deliver operational excellence, including:

- Launch BC Transit's new online presence, which will provide customers with easy access to user-friendly schedules and maps, personalized views of transit information for mobile devices, and direct access to preferred routes
- Monitor the performance of the Custom Registration Pilot projects, including customer satisfaction surveys and evaluate the overall effectiveness of the program prior to further roll out across the province
- Undertake and finalize Service Standards and Performance Guidelines in the Central Okanagan, Cowichan Valley and the West Kootenay areas, in addition to the Service Standards being completed as part of the Comox Valley, Okanagan-Similkameen and Sea to Sky Transit Future Plan processes
- Establish procedures and roll out a program for operators to call out bus stops, which will improve accessibility for individuals with disabilities
- Develop tools and expertise in new operator and refresher training to promote safe driving and reduce accidents
- Complete Service Reviews and service discussion documents for the Central Fraser Valley, Fraser Valley Express area, Powell River, Salt Spring Island and areas within the Victoria region and the Kelowna region
- Complete the Southern Gulf Islands Feasibility Discussion document
- Continue to roll out Twitter to transit operations across the province
- Complete ongoing performance and contract compliance monitoring
- Continue the consultation process related to infrastructure projects identified in the facilities master plans for Victoria and Kelowna

Goal 5 – Strengthen our People and Partnerships

BC Transit's success depends on creating an adaptable, socially-responsible organization that lives its values, develops its existing employees and partnerships, and attracts new people and opportunities. This means actively working to improve how employees are attracted and developed, encouraging a culture of innovation and accountability, monitoring environmental, social and economic impacts, and strengthening relationships with local government and other partners.

Strategies	BC Transit Actions in 2013/14
Increase BC Transit's environmental, social and economic accountability.	• Completed the five-year fuel cell bus demonstration project in Whistler, resulting in over 5,000 tonnes of direct GHG emissions during the course of the program. • Purchased BC Transit's first all-battery electric pool car and associated charging infrastructure for use in the Victoria region. This car traveled more than 5,000km in 2013/14 and avoided approximately one tonne of GHG emissions in comparison to an incumbent hybrid vehicle. • Participated in an Electric Vehicle Suitability Assessment Study to investigate the replacement of non-revenue vehicles with battery electric options. The results will be used to guide procurement options in 2014. • Decreased GHGs from facilities by six per cent by completing energy upgrades at several locations across the province. • Completed environmental assessment and/or monitoring activities at facilities in Kelowna, Victoria, Campbell River, Whistler, and Vernon.
Become an adaptable workplace of choice.	• Launched the Human Resources Action Plan, which is focused on strengthening culture, succession planning and building internal capacity through professional development opportunities. • Launched the second Employee Engagement Survey, which yielded substantially higher results from the first year it was issued. This is an indication that positive improvements have been made with regards to organization satisfaction and commitment. • Implemented a corporate training and development program. • Completed a corporate succession plan and provided training and tools to supervisors to manage employee performance and continue the transition to a high-performance culture. • Reached collective agreements with COPE in April 2013 and CUPE in May 2013.
Enhance existing partnerships and develop new ones.	• Developed and implemented an annual Partnership Communications Calendar that clarifies timing for service requests, budgeting and performance management expectations between BC Transit, the Province and local government partners. • Held the BC Transit annual workshop in Whistler to collaborate with partners, share information and strengthen relationships. • Undertook BC Transit's fourth annual Partnership Survey to measure transit partner perceptions of, and satisfaction with, BC Transit's services and responsiveness. • Piloted an apprenticeship program in partnership with Thompson Regional University, with BC Transit representation on the university's technical advisory committee.

Performance Measures and Results

Measures	2011/12 Result	2012/13 Result	2013/14 Result	2013/14 Target	2014/15 Service Plan Target	2015/16 Service Plan Target	2016/17 Service Plan Target
Carbon intensity per service hour (in kg CO2e/hour)	28.64	28.30	28.35	28.68	28.91	28.90	28.90
Employee Engagement	54%	N/A	60%	56%	57%	60%	63%
Partner satisfaction (on a scale of 1 to 5)	3.22	3.77	4.00	3.12	3.75	3.75	3.75

Measure definition, importance and results

Carbon intensity per service hour measures the ability of BC Transit to reduce its direct Greenhouse Gas Emissions (GHG) and supports the *Provincial Transit Plan* goal to reduce GHG emissions by 4.7 million tonnes by 2020. Carbon intensity is calculated using the Provincial Government's SMARTTool methodology and is measured by calculating the total emissions of BC Transit's fleet, facilities and paper usage in carbon dioxide equivalent tonnes.

▶ Result: ***Target exceeded.*** In 2013/14, BC Transit's total emissions were 28.35 carbon dioxide equivalent kilograms per service hour (kg CO2e/hour), below the corporate forecast of 28.68. This primarily reflects fuel efficiency benefits as a result of the renewal of BC Transit's fleet. In addition the validation of de-carbonised transportation has been a key success of the Whistler hydrogen fuel cell bus fleet. In its final year of demonstration, the fuel cell fleet avoided more than 500,000 litres of diesel and approximately 1,300 tonnes of CO2e while providing almost 900,000 kms of service.

Employee engagement assesses what workplace experiences matter most to the employees and serves as a tool to develop actions that lead to changes in employment engagement. Engagement is assessed based on a model that uses structural equation modeling to understand what aspects of workplace influence the engagement characteristics.

▶ Result: ***Target exceeded.*** The employee engagement score for 2013/14 was 60 per cent, six per cent higher than the first time it was issued in 2011/12 and four per cent higher than target. Achieving and sustaining engaged employees is a key component in a successful cultural transformation. This increase indicates positive enhancements have been made in areas such as organization satisfaction, organization commitment and job satisfaction since the first Work Environment Survey conducted in 2011.

Partnership satisfaction measures the average rating of local government transit partner respondents when asked to rate their customer service received from BC Transit from one ("very poor") to five ("excellent"). This reflects efforts by BC Transit to improve service delivery as well as engage more extensively with partners in identifying and developing solutions to local transit needs.

▶ Result: ***Target exceeded.*** On average, local government partners rated their overall satisfaction with the level of customer service provided by BC Transit as 4.00, a 6.1 per cent increase over last year's 3.77 rating, and 28.2 per cent higher than the target of 3.12. Improving partner relations continued to be a major priority for BC Transit this year, which has driven the positive results on this measure.

Looking Ahead: Actions in Progress

BC Transit is working on a number of initiatives to further strengthen its people and partnerships, including:

- Continue the implementation of the Human Resources Action Plan
- Continue to improve upon the results in the annual Employee Engagement Survey – improvements in this area will be a key indicator of employee satisfaction
- Successfully negotiate new collective agreements with Unifor and COPE
- Work with Public Sector Employers' Council on a revised compensation framework, exploring alternative benefits and contracts versus salary arrangements
- Implement longer-term recommendations from the BC Transit Independent Review Panel
- Continue to implement phases of the Enterprise Investment Initiative portfolio with local government and operating partners

Performance Management Systems

The following outlines the sources of information used for the various measures reported in the Performance Measurement Framework.

Measure	Source
Goal 1: Develop financial sustainability	
Operating cost recovery	BC Transit financial system. Financial statements are audited by the Auditor General of British Columbia
Operating cost per passenger trip	BC Transit financial system. Financial statements are audited by the Auditor General of British Columbia
Goal 2: Support and shape livable communities	
Passenger trips per capita	Ridership information collected through internal tracking data. Population is based on the defined service area and uses Census Canada information updated by the latest BC Statistics data.
Transit Future Plans completed	Internal tracking data
Goal 3: Change the perception of transit	
Level of perceived transit service improvement	Annual customer tracking survey, conducted by a third party research firm
Brand recognition	Annual customer tracking survey, conducted by a third party research firm
Level of perceived transit importance	Annual customer tracking survey, conducted by a third party research firm
Goal 4: Deliver operational excellence	
Passenger trips	Internal tracking data
Number of passenger injury incidents per million boardings	Internal tracking data
Customer satisfaction	Annual customer tracking survey, conducted by a third party research firm
Service hours	Internal tracking data
Goal 5: Strengthen our people and partnerships	
Carbon intensity per service hour	SMARTTool data and internal tracking data
Employee engagement	BC Stats (BC Transit employee survey)
Partnership satisfaction	CivicInfoBC Transit Survey

The integrity and reliability of BC Transit's performance monitoring data are assured through a number of processes.

- Financial operating and capital actual expenditures are reviewed monthly, quarterly and annually by internal finance and source department staff and also reviewed as part of BC Transit's annual financial statement audit by the Auditor General of British Columbia.
- Revenue and ridership statistics are reviewed monthly, quarterly and annually by internal staff, with ridership statistics reconciled against passenger revenue data to validate accuracy. Revenue results are also reviewed as part of BC Transit's annual financial statement audit by the Auditor General of British Columbia.
- Service Hours, Number of Passenger Injury Incidents and base data used to calculate Carbon Intensity are supplied monthly by contracted and internal operations staff and reviewed monthly, quarterly and annually by internal BC Transit staff. BC Transit self certifies its Greenhouse Gas emissions following Public Service Organization Self-Certification Emissions Check List and this is subject to periodic audit by the Province.

- Transit Future Plan statistics are collected and maintained by internal staff with trends compared by community and annually to review anomalies and validate accuracy.
- All remaining statistics collected by third parties—such as those from Stats Canada, BC Stats, CivicInfoBC and third party research firms—are reviewed annually by BC Transit staff in order to analyze trends and investigate apparent anomalies.

Benchmarking

BC Transit benchmarks its performance against transit statistics collected and published by the Canadian Urban Transit Association (CUTA). The selected performance ratios gauge and compare overall service effectiveness and efficiency and are the statistics most universally used by the North American transit industry to track achievement of strategic goals.

To ensure that transit system comparisons are most relevant and accurate, BC Transit divides its systems for benchmarking based on population size and service type. The divisions and statistics used for each are as follows:

Conventional Transit Service – Victoria Regional Transit System performance is compared with CUTA urban transit systems of a similar size. In the case of Regional Transit Systems outside Greater Victoria, service in the six largest systems is averaged and compared with systems of a similar size in CUTA. Measures used include:

- Passenger trips per capita
- Passenger trips per hour
- Operating cost per hour
- Operating cost per passenger trip

Custom Transit Service – Victoria Regional Transit System custom service performance is compared with CUTA specialized transit systems of a similar size. In the case of Regional Transit Systems, custom transit performance in the eight largest systems is averaged to compare with similarly-sized CUTA specialized transit systems. Measures used include:

- Operating cost per van hour
- Van passengers per hour

In the case of custom transit statistics, "van" is used to denote those hours of service and passengers carried by custom transit vehicles only. For reasons of comparative consistency it therefore excludes the passengers that BC Transit carries through other means, such as through partnerships with taxi companies and regional transportation providers.

Appendix A3 provides the detailed benchmarking results for these measures.

Progress on Government's Letter of Expectations

The Minister of Transportation and Infrastructure, to whom BC Transit reports, outlines performance expectations in support of customer needs and government priorities through an annual Government's Letter of Expectations. The terms of the agreement are reviewed and updated annually. The entire 2013/14 agreement can be viewed on the BC Transit website[6].

The key requirements identified for BC Transit for the fiscal year 2013/14 and actions taken are outlined in the following table.

Specific Direction to the Corporation	BC Transit Actions in 2013/14
Align actions and activities that assist the Ministry of Transportation and Infrastructure (Ministry) to achieve the goals and objectives of the *Provincial Transit Plan*, subject to fiscal funding allocations and local government affordability.	BC Transit undertook planning work and service changes in more than 40 communities throughout the province to improve ridership and the overall effectiveness and efficiency of transit. Completed long term Transit Future Plans for Prince George, Regional District of Nanaimo, Sunshine Coast and the North Okanagan. Continued work on Transit Future Plans in the Comox Valley, Okanagan-Similkameen and the Sea to Sky regions. Completed feasibility reports for potential service to new areas in the Columbia Shuswap Regional District, the Agassiz-Seabird-Hope and Chilliwack-Abbotsford-Langley corridors for the Fraser Valley Regional District, and the Big White area for the Regional District of Kooteney Boundary.
Develop and share with the Ministry a three-year annual operating budget and a ten-year capital budget by August 2013 and to finalize budgets by November 30, 2013, work with the Ministry to ensure that financial targets be achieved and reporting requirements are met as identified in the Ministry's budget letter to BC Transit and the Ministry–BC Transit contribution agreements, and accurately report quarterly forecasts and have balanced budgets in each year (i.e. ensure annual expenses do not exceed annual revenues).	BC Transit met the required timelines for operating and capital budget submissions, as well as ongoing reporting requirements as identified in the Ministry–BC Transit contribution agreement. BC Transit's operating and capital expenditures did not exceed annual revenues for 2013/14. Operating expenditures were below budget by $8.7 million due to reduced service hours and operational efficiencies. Total capital expenditures were below budget due to the cancellation or deferral of some projects and cost efficiencies achieved through bulk vehicle purchasing.
Develop performance measures and targets that align with, and aid in the achievement of, the goals and strategies documented in the Corporation's *2013/14 Service Plan*.	BC Transit has worked with the Ministry and its local government partners to develop performance targets that reflect prevailing local economic conditions. BC Transit has also enhanced its performance management framework, including improved corporate and regional system report cards, and key performance indicators for the *2014/15 Service Plan*.

6 *http://www.bctransit.com/corporate/general_info/pdf/201213_Governments_Letter_of_Expectations.pdf*

Work with the Ministry to develop performance expectations with regard to the above noted goals, objectives, strategies and policies and implement strategic policy priorities of government including direction related to the 2012 BC Transit Independent Review.	BC Transit has worked extensively to meet the recommendations of the Independent Review, the majority of which have now been implemented. In addition, BC Transit engaged the Ministry in the redesign of its key performance indicators for the *2014/15 Service Plan* to ensure they aligned with the Ministry's objectives.
Contribute to the BC Provincial Government's climate action objectives and comply with the requirement to be carbon neutral in accordance with the *Greenhouse Gas Reduction Targets Act*.	BC Transit completed the five-year fuel cell bus demonstration project in Whistler, resulting in a decrease in over 5,000 tonnes of direct GHG emissions during the course of the program. BC Transit purchased its first all-battery electric pool car and associated charging infrastructure for use in the Victoria region. This car traveled more than 5,000km in 2013/14 and avoided approximately one tonne of GHG emissions in comparison to an incumbent hybrid vehicle. Energy upgrades completed at several locations across the province resulted in a decrease in GHG emissions from facilities by six per cent.

31 Performance Summary

Non-GAAP Financial Measures

Forward Looking Statements

Corporate Performance

Performance Summary

Non-GAAP Financial Measures

Throughout this performance summary and management's discussion and analysis, BC Transit uses the terms ridership, service hours, passenger trips per capita, passenger trips, operating cost per service hour, operating cost recovery, operating cost per passenger trip, fleet maintenance cost per hour, facility maintenance cost per hour, administrative cost per hour, net debt service cost and FTEs. These terms do not have any standardized meaning as prescribed by the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as required by Section 23.1 of the *Budget Transparency and Accountability Act of the Province of British Columbia* and supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board and, therefore, may not be comparable with the calculation of similar measures presented by others.

The terms used are considered to be industry-wide standard indicators and performance measures used throughout the North American transit industry and are used to measure the achievement of BC Transit's strategic goals. Data reliability is obtained as follows: ridership information is collected using an industry-standard reporting protocol and common definitions. (The same information is used by Statistics Canada for its Standard Industrial Classification reports). Estimates are derived using statistically valid sampling measures from sources of data which include comparisons between revenue, farebox passenger counts and automated passenger counts. Per capita estimates use population figures from the most recently published census, adjusted annually by B.C. Statistics and collated for the respective Transit Service Areas by BC Transit. Service hours delivered in the Regional Transit Systems are calculated based on billings and operating statements. Service hours delivered in Victoria are based on actual platform hours. Actual financial results are derived from BC Transit's audited financial statements which are prepared in accordance with the basis of accounting disclosed in the audited consolidated financial statements.

See Appendix A6 for further definitions.

Forward Looking Statements

This performance summary and management's discussion and analysis contain certain "forward looking statements." These statements relate to future events or future performance and reflect management's expectations regarding growth, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management's internal projections, expectations or beliefs and are based on information currently available to management.

Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include ridership, foreign exchange, fuel costs, fleet maintenance costs, labour costs and availability, transit system request for proposal costs, insurance costs, taxation, facilities and environmental compliance and the provincial and local economies in which BC Transit operates. In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements.

In evaluating these statements, readers should specifically consider various factors including, but not limited to, the risks and uncertainties associated with long term funding, operating contract renewals, fuel prices, maintenance, labour force challenges, taxation, economic uncertainty, changing demand, and organizational capacity.

Actual results may differ materially from any forward looking statements. Although management believes that the forward looking statements contained in this discussion and analysis are based upon reasonable assumptions, readers cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this management's discussion and analysis, and BC Transit assumes no obligation to update or revise them to reflect new events or circumstances.

Corporate Performance

The following table summarizes operating costs, revenue, service hours and passenger trips for all BC Transit programs (Regional Transit Systems (RTS) and Victoria Regional Transit System (VRTS) combined) for the 2013/14 fiscal year, compared to corporate budgets. Separate program level results for the RTS and the VRTS program are provided in Appendices A4 and A5.

For the purpose of presenting corporate performance and industry benchmarking, operations, maintenance and administration expenses exclude interest and amortization, consistent with industry practice.

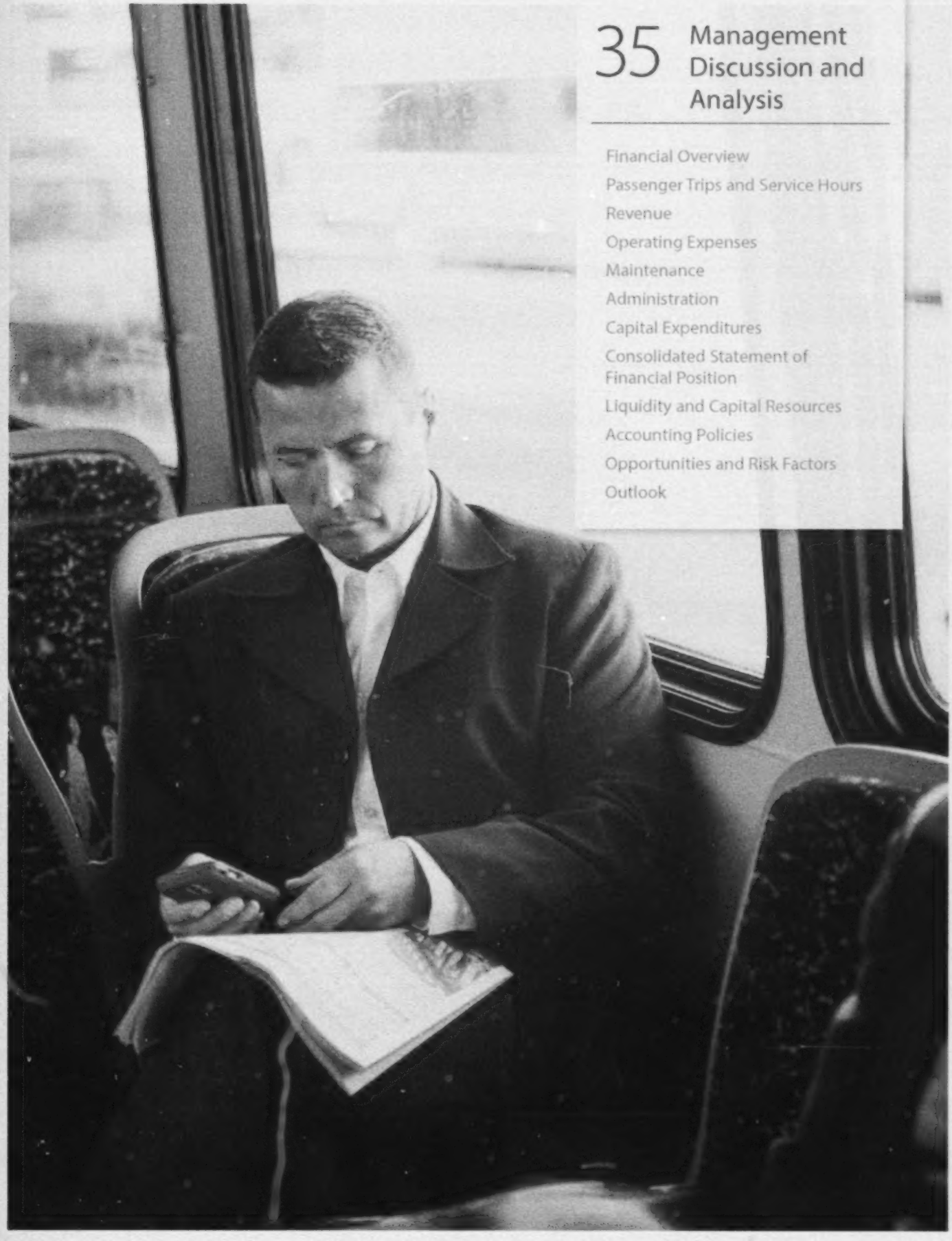
Summary *(Figures in thousands)*	**2009/10 Actual**	**2010/11 Actual**	**2011/12 Actual**	**2012/13 Actual**	**2013/14 Actual**	**2013/14 Service Plan Target**	**2014/15 Service Plan Target**	**2015/16 Service Plan Target**	**2016/17 Service Plan Target**
Operating cost*	$181,837	$196,684	$204,036	$207,655	$222,292	$230,967	$237,071	$249,226	$255,038
Operations revenue	$60,679	$65,127	$67,847	$67,944	$69,192	$69,877	$71,018	$72,170	$72,760
Service hours (000s)	2,086	2,154	2,170	2,156	2,214	2,248	2,273	2,312	2,319
Passenger trips (000s)	48,781	50,982	51,041	49,599	50,958	52,360	52,510	53,396	53,824

** Total operating cost above excludes the allocation of debt service as reported in the consolidated financial statements*

In 2013/14, more British Columbians chose to use BC Transit, with passenger trips across the province increasing by 2.7 per cent (2012/13 – negative 2.8 per cent) to 51.0 million. These gains can be attributed in part to an increase in service hours delivered, but also to ongoing efforts to maximize the efficiency of existing services to meet customer needs.

Cost efficiency, as measured on a cost per hour basis increased by 4.2 per cent (2012/13 – 2.4 per cent) while industry cost pressures, as reflected by operating costs per hour, have trended at 4 to 6 per cent per annum. Accordingly, the current year's results of 4.2 per cent are within industry standards and reflect management's continued focus to contain costs and cost efficiency.

Operations revenue (passenger and advertising) increased by 1.8 per cent (2012/13 – 0 per cent) representing a rapid recovery from prior years' labour disruption in Victoria and the implementation of fare strategies in a number of transit systems throughout the province.



35 Management Discussion and Analysis

Financial Overview

Passenger Trips and Service Hours

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Maintenance

Administration

Capital Expenditures

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Liquidity and Capital Resources

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Outlook

Management Discussion and Analysis

Dated May 22, 2014

The following is management's discussion and analysis of the consolidated financial position and results of operations for BC Transit as of May 22, 2014. This should be read in conjunction with our audited consolidated financial statements and related notes for the years ended March 31, 2014 (fiscal 2013/14) and March 31, 2013 (fiscal 2012/13). Except where indicated, all financial information herein is expressed in thousands and Canadian dollars.

Management Discussion and Analysis Financial Report	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Target	Variance Year over Year (Un)Favourable		Variance to Budget (Un)Favourable	
(Figures in thousands, except FTE's)	($)	($)	($)	($)	($)	($)	($)	(%)	($)	(%)
Revenue										
Operations	60,679	65,127	67,847	67,944	69,192	69,877	1,248	1.8	(685)	(1.0)
Government transfers										
Provincial	79,105	83,971	88,065	89,013	95,415	101,761	6,402	7.2	(6,346)	(6.2)
Local government	60,840	66,793	75,483	76,312	84,984	88,401	8,672	11.4	(3,417)	(3.9)
Amortization of deferred capital contributions	14,024	30,151	27,183	28,805	38,746	33,202	9,941	34.5	5,544	16.7
Investment and other income	4,205	3,404	2,947	4,152	5,219	4,329	1,067	25.7	890	20.6
Total Revenues	218,853	249,446	261,525	266,226	293,556	297,570	27,330	10.3	(4,014)	(1.3)
Expenses										
Operations	124,025	137,102	142,652	144,661	154,261	161,457	(9,600)	(6.6)	7,196	4.5
Maintenance	37,772	38,125	39,375	41,259	44,437	46,346	(3,178)	(7.7)	1,909	4.1
Administration	20,040	21,457	22,009	21,735	23,594	23,164	(1,859)	(8.6)	(430)	(1.9)
Operating Costs	181,837	196,684	204,036	207,655	222,292	230,967	(14,637)	(7.0)	8,675	3.8
Debt Service (Interest & Amortization)	36,177	55,797	58,120	58,784	71,391	66,603	(12,607)	(21.4)	(4,788)	(7.2)
Total Expenses	218,014	252,481	262,156	266,439	293,683	297,570	(27,244)	(10.2)	3,887	1.3
Net Income (Loss) From Operations	**839**	**(3,035)**	**(631)**	**(213)**	**(127)**	**–**	**86**	**–**	**(127)**	**–**
Non-Operating Items:										
Vancouver assets – Amortization expense	(32,654)	(32,654)	(32,654)	(14,769)	(15,010)	(14,773)	(241)	(1.6)	(237)	(1.6)
Amortization of deferred capital contributions	31,242	31,242	31,242	14,340	14,581	14,773	241	1.7	(192)	(1.3)
Gain (loss) on disposal of assets	-	242	11	(370)	16	–	386	104.3	16	–
Gain (loss) on investments and foreign exchange	273	375	620	578	699	–	121	20.9	699	–
Net surplus from Olympic and Paralympic Games	18	–	–	–	–	–	–	–	–	–
Surplus (deficit) for the year	(282)	(3,830)	(1,412)	(434)	159	–	593	136.6	159	–
Capital expenditures										
Vehicle	122,823	12,394	10,474	29,871	39,386	52,235	(9,515)	(31.9)	12,849	24.6
Non-Vehicle	28,094	26,846	27,687	17,760	40,027	57,189	(22,267)	(125.4)	17,162	30.0
	150,917	39,240	38,161	47,631	79,413	109,424	(31,782)	(66.7)	30,011	27.4
FTEs (as at year end)	825	846	846	852	896	894	44	5.1	2	0.2
Service hours 000's	2,086	2,154	2,170	2,156	2,214	2,248	58	2.7	(34)	(1.5)
Passenger trips 000's	48,781	50,982	51,041	49,599	50,958	52,360	1,359	2.7	(1,402)	(2.7)

The information provided in the table above is consistent with presentation in previous years and may be different from the information presented in the audited consolidated financial statements due to the separate disclosure of debt service. Under the Canadian public sector accounting principles, costs are allocated by function (operations, maintenance and administration) and include the allocation of debt service. The format of the information presented above is consistent with industry practice and allows for historical and industry benchmarking.

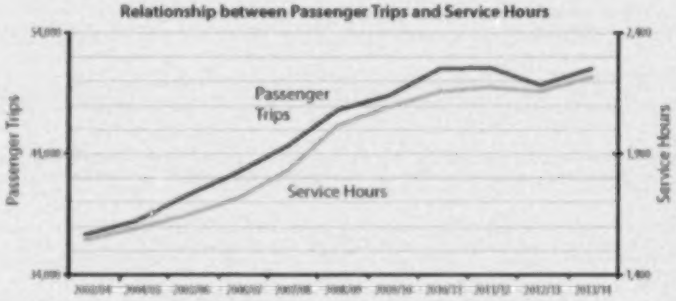
Financial Overview

As identified in the Financial Report above, total revenues for 2013/14 were higher year-over-year by $27.3 million, or 10.3 per cent, due to an increase in operating contributions from the Province, deferred capital grant amortization, local contributions, passenger revenue, and investment income. Total revenues were lower than budget by $4.0 million, or 1.3 per cent, due to lower service hours delivered than budgeted. This resulted in lower Provincial and Local Government Transfers which were offset by higher amortization. Operations revenue (passenger and advertising revenue) was higher year-over-year by $1.2 million, or 1.8 per cent, and lower than budget by $0.7 million, or 1.0 per cent.

BC Transit continued to control operational cost expenditures through its shared services model, which achieves greater operational, capital and financial efficiencies through economies of scale. This, in combination with lower service hours than budgeted, resulted in operations, maintenance and administration expenditures being $8.7 million, or 3.8 per cent, lower than budget. Total operating expenditures, including debt service (interest and amortization) were $3.9 million, or 1.3 per cent, lower than budget despite unusual costs relating to the Hydrogen Fuel Cell project ($7.6 million additional amortization) and a motor vehicle claim ($1.0 million) incurred in the year. Total expenditures increased by $27.2 million, or 10.2 per cent, year-over-year due to service expansions, the above two unusual items, and inflationary cost increases.

Ridership and Service Hours

Changes in passenger trips are strongly correlated with changes in service hours but are also impacted by other factors including service frequency and reliability, fare changes, investments in public transit (transit exchanges, park and rides, and technology) and general economic conditions such as employment, demographic, economic development, fuel prices and population changes. The relationship between passenger trips and service hours is illustrated in the chart below.



Total system passenger trips across the province was in line with service hour growth with an increase year-over-year by 2.7 per cent, but lower than budget by 2.7 per cent. The Victoria Regional Transit System (VRTS) passenger trips increased by 5.5 per cent which primarily reflected the rapid recovery from prior years' labour disruption. Regional Transit Systems' (RTS) passenger trips increased year-over-year by 0.2 per cent.

Despite these gains, a continued slow economic recovery has resulted in funding pressures on local government partners and the Province and a reduced ability to fund additional expanded transit services. Total service hours delivered in VRTS and in the RTS increased year-over-year by 58,000 hours or 2.7 per cent, although they were 1.5 per cent lower than budgeted levels.

Demand for transit remains high and notable service hour increases were noted in 14 communities which, by and large, led to increases in system ridership in 11 communities.

Over the last year, BC Transit worked with local government partners on several short and long-term planning initiatives that would ensure transit systems were effectively structured to meet the needs of customers, as well as encourage new ridership. Transit Future Plans, which align local land use plans and decision making with investments in transit services and infrastructure, were completed in Prince George, Nanaimo, Sunshine Coast and North Okanagan. Service reviews and feasibility studies were completed in nine communities, with six more underway. In addition, BC Transit implemented over 40 service changes in more than 40 communities, targeted to increase the number of passengers carried per capita and per hour of service.

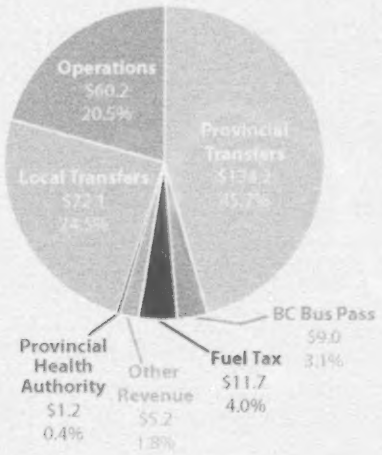
Revenues

Transit service is funded through three main sources: Provincial and local government transfers and passenger fares / advertising (operations revenue). Provincial government transfers for the year ending March 31, 2014 accounted for 45.7 per cent of total funding, local government transfers from property taxation accounted for 24.5 per cent and the remaining 29.7 per cent was generated through passenger fares, advertising, investments and fuel tax.

Provincial operating transfers per capita are the highest level of funding commitment in Canada and are based on legislated cost share formulae for both operating and capital expenditures. The Province remains committed towards public transit, as demonstrated by the continued increase in contributions during an extended time of economic uncertainty and challenge. Provincial transfers will continue to increase throughout the *2014/15 – 2016/17 Service Plan* period.

The individual revenue components are analyzed further below.

BC Transit 2013/14
(Millions)



Reconciliation to Consolidated Statement of Operations

Operations revenue = Operations + BC Bus Pass
Provincial operating = Provincial transfers
Provincial & Federal amortization of deferred capital contributions = Provincial transfers
Local governments = Local transfers + ***Provincial Health Authority***
Investment and other income = Other Revenue
Fuel tax = ***Fuel tax***

	2012/13 Actual	2013/14 Actual	2013/14 Budget	Year over Year Variance		Variance to Budget/Target	
	($)	($)	($)	($)	(%)	($)	(%)
Operations revenue							
Passenger revenue*	66,752	68,182	68,915	1,430	2.1	(733)	(1.1)
Advertising revenue	1,192	1,010	962	(182)	(15.3)	48	5.0
Operations revenue subtotal	67,944	69,192	69,877	1,248	1.8	(685)	(1.0)
Investment and Other Income	4,152	5,219	4,329	1,067	25.7	890	20.6
Government transfers:							
Provincial operating	89,013	95,415	101,761	6,402	7.2	(6,346)	(6.2)
Provincial & Federal amortization of deferred capital contributions	28,805	38,746	33,202	9,941	34.5	5,544	16.7
Local government**	64,457	73,296	76,531	8,839	13.7	(3,235)	(4.2)
Fuel Tax	11,855	11,688	11,870	(167)	(1.4)	(182)	(1.5)
Total	266,226	293,556	297,570	27,330	10.3	(4,014)	(1.3)

** Includes BC Bus Pass Funds*
*** Includes Provincial Health Authority Funds*

Operations revenue

Operations revenue (passenger and advertising, including BC Bus Pass) for the year ending March 31, 2014 was $69.2 million, an increase of $1.2 million over 2012/13, and was $0.7 million lower than budget. Passenger revenues were up by 2.1 per cent, or $1.43 million, over the prior year. The two factors affecting the increased passenger revenue were restored service in the VRTS after a labour dispute and implementation of fare strategies in Central Fraser Valley, Chilliwack and Prince George.

Investment and other income

Investment and other income for the year ending March 31, 2014 was $5.2 million, an increase of $1.1 million over 2012/13, and was $0.9 million higher than budget. This balance consists of corporate lease property income, Greater Victoria Harbor Authority (GVHA) commercial revenue income, sinking fund interest and other miscellaneous income. The $1.1 million increase in the year is primarily related to the establishment of new revenue sources, including $0.15 million for GVHA, and $1.0 million recognized from deferred contributions (Transportation Property and Casualty Inc. Program) to cover legal costs associated with a judgment against BC Transit for a vehicle and bus accident in Whistler.

Government transfers – Provincial operating

The Provincial operating transfer for the year ending March 31, 2014 was $95.4 million, an increase of $6.4 million over 2012/13, and was $6.3 million lower than budget. The Provincial operating contribution has grown by 21 per cent since 2009/10. This operating contribution is also budgeted at $103.5 million for 2014/15, representing an 8.5 per cent increase from 2013/14 actual contributions.

In 2013/14, BC Transit recovered 49.2 per cent of its total expenditures from the Province of British Columbia through grants, BC Bus Pass funding and Health Authority funding. The Province is the largest funding contributor with the remaining 20.5 per cent recovered from passenger revenues, 24.5 per cent from local government partners, 4.0 per cent from fuel tax, and 1.8 per cent from investment and other income.

Provincial and Federal amortization of deferred capital contributions

The provincial and federal amortization of deferred capital contributions was $38.7 million, an increase of $9.9 million over 2012/13, and was $5.5 million over budget. Canadian public sector accounting standards require government capital transfers to be recognized in revenue in the period the restriction the contribution is subject to is met and that restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recognized in revenue at the same rate of amortization of the related tangible capital asset is recorded. The year-over-year increase in actuals and budget can be attributed to the completion of the Hydrogen Fuel Cell Project and amortization alignment with the project completion date of March 31, 2014.

Government transfers - Local Government

Local government transfers were $73.3 million, an increase of $8.8 million over 2012/13, and was $3.2 million below budget. Funding from local government transfer sources comprise 24.5 per cent of total revenues contributed. The year-over-year increase from local governments can be attributed to operating cost increases, service increases and capital investments. The local government share of transit expenditures is based on cost sharing formulae and is funded by the combination of passenger revenue and taxation as the residual funding source. Local taxation revenue sources were less than budget by $3.2 million (or 4.2 per cent), as a result of lower operating and capital expenditures and fewer service hours.

Fuel tax

Fuel tax revenue was $11.7 million, a decrease of $0.2 million over 2012/13, and was $0.2 million below budget. Fuel tax revenue is a direct function of number of litres of fuel sold.

Operating Expenses

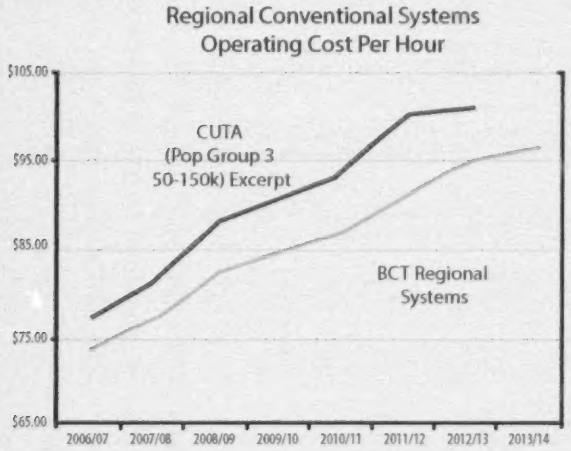
Total Operating Expenses

	2012/13	2013/14					
	Actual	Actual	Budget	Variance Year to Year		Variance to Budget	
	($)	($)	($)	($)	(%)	($)	(%)
Operations	144,661	154,261	161,457	(9,600)	(6.6)	7,196	4.5
Maintenance	41,259	44,437	46,346	(3,178)	(7.7)	1,909	4.1
Administration	21,735	23,594	23,164	(1,859)	(8.6)	(430)	(1.9)
Total Operating Expenses	**207,655**	**222,292**	**230,967**	**(14,637)**	**(7.0)**	**8,675**	**3.8**
Operating Cost Per Hour	**$96.31**	**$100.40**	**$102.74**	**($4.09)**	**(4.2)**	**$2.34**	**2.3**
Operating Cost Per Passenger Trip	**$4.19**	**$4.36**	**$4.41**	**($0.17)**	**(4.1)**	**$0.05**	**1.1**

Operating expenses are defined as the sum of all costs associated with the operation, maintenance and administration of transit, excluding amortization and interest paid on debt for capital expenditures.

Total operating expenses for the year ending March 31, 2014 were $222.2 million, an increase of $14.6 million over 2012/13, and was $8.7 million lower than budget despite unusual costs relating to the Hydrogen Fuel Cell project ($7.6 million additional amortization) and a motor vehicle claim ($1.0 million) incurred in the year. Cost efficiency, as measured on a cost per hour basis, was favourable to budget by 2.3 per cent and increased year-over-year by 4.2 per cent. Industry cost pressures, as reflected by operating costs per hour, have trended at 4 to 6 per cent per annum; accordingly, the current year's results of 4.2 per cent are within industry standards and reflect management's continued focus to contain costs and cost efficiency.

Total operating cost per passenger trip was 1.1 per cent less than budget and 4.1 per cent (increase year-over-year). Operating cost per passenger trip was below target mostly due to lower than budgeted fuel prices for 2013/14.



Operations Expense

	2012/13	2013/14					
	Actual	Actual	Budget	Variance Year to Year		Variance to Budget	
	($)	($)	($)	($)	(%)	($)	(%)
Operations (excl. fuel)	116,269	124,240	128,786	(7,971)	(6.9)	4,546	3.5
Fuel	28,392	30,021	32,671	(1,629)	(5.7)	2,650	8.1
Total Operations	**144,661**	**154,261**	**161,457**	**(9,600)**	**(6.6)**	**7,196**	**4.5**
Operations (incl Fuel) Cost / Service Hour	**$67.10**	**$69.68**	**$71.82**	**($2.58)**	**(3.8)**	**$2.14**	**3.0**

Operations expenses (excluding fuel) for the year ending March 31, 2014 was $124.2 million, an increase of $8.0 million over 2012/13, and was $4.5 million lower than budget. Operations costs include the costs required to put buses on the road and include operator wages and benefits, insurance, uniforms, depot and other costs directly attributable to operations. Operations expenses were lower than budget due primarily to lower than anticipated service hours combined with management's continued focus on cost containment and efficiency. These savings were partially offset with a one-time expenditure for a judgment against BC Transit in the amount of $1.0 million and an apportionment of legal costs for a vehicle and bus accident in Whistler. Compared to prior year, operations cost increases reflect 2.7 per cent increase in service hours and collective agreement wage increases. On a cost per hour basis, actual costs of operations were also lower than budget by 3.0 per cent and increased by 3.8 per cent year-over-year.

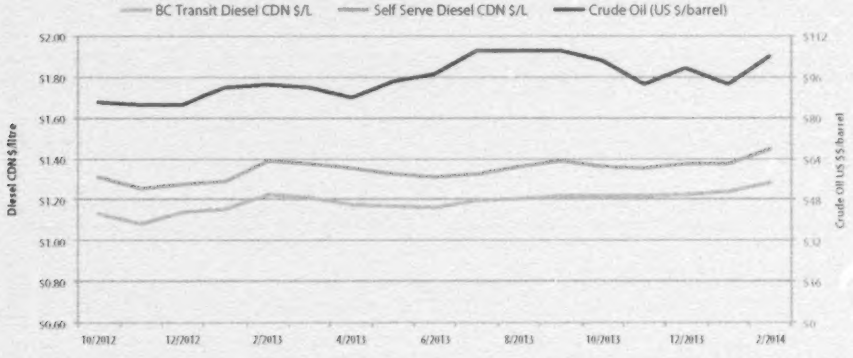
Fuel Expense

	2012/13	2013/14					
	Actual	Actual	Budget	Variance Year to Year		Variance to Budget	
	(litres/$)	(litres/$)	(litres/$)	(litres/$)	(%)	(litres/$)	(%)
Fuel volume (000s litres)	24,267	24,811	25,132	(544)	(2.2)	321	1.3
Fuel price per litre	1.17	1.21	1.30	(0.04)	(3.4)	0.09	6.9
Total fuel cost	**28,392**	**30,021**	**32,671**	**(1,629)**	**(5.7)**	**(2,650)**	**(8.1)**

Fuel expenses for the year ending March 31, 2014 was $30 million, an increase of $1.6 million over 2012/13, and was $2.7 million lower than budget. The price of fuel was budgeted at $1.30 per litre for the year ended March 31, 2014; however, the actual price per litre came in at $1.21. This favourable variance from budget can be attributed to a combination of lower than budgeted service hours (which resulted in reduced fuel consumption), and a lower average fuel rack price.

A summary of world oil prices as measured in West Texas Intermediate (USD/bbl) against diesel rack pricing (BC average) and BC Transit diesel pricing for the last 18 months is presented in the table below. Diesel pricing varies throughout the Province due to transportation differentials; however, is strongly correlated with WTI and gasoline price movements and accordingly; the graph is indicative of diesel volatility.

18-Month Fuel Pricing



Fuel pricing remained volatile throughout 2013/14 with the average diesel price realized by BC Transit ranging from $1.11 per litre to $1.36 per litre. Pricing volatility and upward pressure continues to be driven from economic uncertainties and geopolitical risks.

Management mitigates fuel price volatility and price increases through two primary methods. Firstly, by aggregating BC Transit's provincial fuel volumes under a successful fuel procurement process, BC Transit receives an annual average volume discount from posted rack rates for volume purchases. Management also has a commodity price risk management program whereby it locks-in fixed price physical contracts.

Given volatility of pricing, management continuously monitored opportunities to lock into fixed price arrangements and was able to enter into fixed price physical delivery agreements. As a result, 39.3 per cent of total fuel volume was fixed at an average price of $1.21 per litre, allowing for $0.88 million in savings from budget. Management continues to explore other strategies to manage the cost pressure and volatility associated with fuel prices including strategic partnerships, developing reserves, alternative technologies and financial hedging.

As at the date of this report, approximately 30 per cent of total estimated fuel consumption for 2014/15 is now under fixed price agreements at a blended price of $1.21 per litre. This is $0.09 per litre under the 2014/15 fuel pricing budget. This achieves both budget savings and stability for provincial and local funding partners.

Maintenance

	2012/13	2013/14					
	Actual	Actual	Budget	Variance Year to Year		Variance to Budget	
	($)	($)	($)	($)	(%)	($)	(%)
Fleet Maintenance	33,053	35,916	36,841	(2,863)	(8.7)	925	2.5
Facilities Maintenance	8,206	8,521	9,505	(315)	(3.8)	984	10.4
Total Maintenance	**41,259**	**44,437**	**46,346**	**(3,178)**	**(7.7)**	**1,909**	**4.1**
Fleet Maintenance Cost / Service Hour	**$15.33**	**$16.22**	**$16.39**	**($0.89)**	**(5.8)**	**$0.17**	**1.0**
Facility Maintenance Cost / Service Hour	**$3.81**	**$3.85**	**$4.23**	**($0.04)**	**(1.0)**	**$0.38**	**9.0**

Fleet Maintenance

Fleet Maintenance for the year ending March 31, 2014 was $35.9 million, an increase of $2.9 million over 2012/13, and was $0.9 million lower than budget. The favourable variance from budget is primarily attributable to lower than anticipated service hours. Ongoing focus on fleet inspections throughout the province, major capital maintenance program, preventative maintenance, and warranty recoveries all contributed to this result.

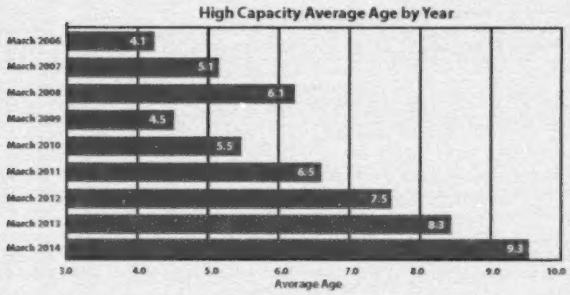
Fleet maintenance expenditures are a function of expansion, inflationary costs, fleet age and fleet diversity. On a cost per hour basis, fleet maintenance was below target by $0.17/hour, or 1.0 per cent, and increased year-over-year by $0.89/hour or 5.8 per cent. The year-over-year increase is attributed primarily to inflationary pressures on materials and wages/benefits.

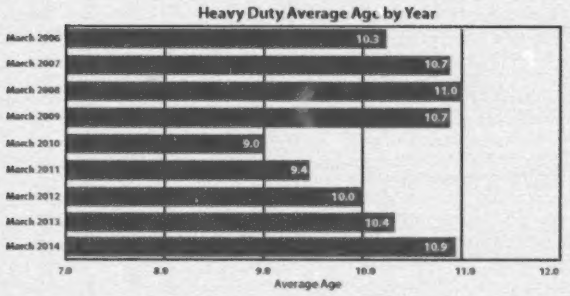
Maintenance costs for running repairs, major component overhauls and mid-life tune-ups are largely a function of the age of the fleet, increasing costs of parts, labour and outside service providers, and the technological complexity of newer vehicles (including increasingly stringent environmental standards). Maintenance costs are also impacted by the exchange rates, higher shipping costs, diminishing options in the supply chain network, and base commodity costs. Most parts originate from American or European suppliers.

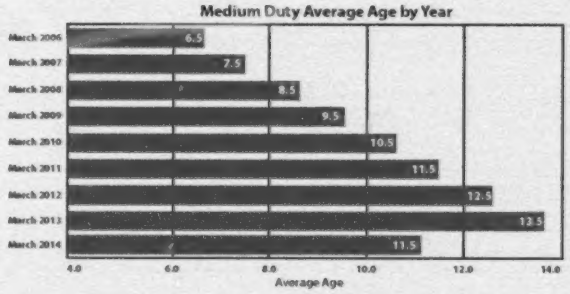
BC Transit's fleet replacement and expansion capital plan will in part mitigate some of these cost pressures in future years.

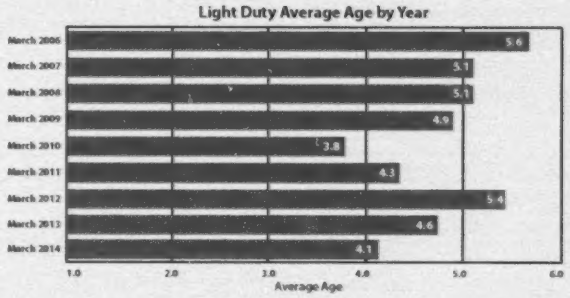
As at March 31, 2014, BC Transit had 1,052 buses in service, comprised of high capacity buses (69), heavy duty buses (576), medium duty buses (68) and light duty buses (339). The charts below summarize the average age of the buses comprising the provincial fleet. At the time of this report:

- High capacity buses have an amortization period of 20 years
- Heavy duty buses have an amortized life of 13 – 20 years
- Medium duty buses are amortized between 8 - 17 years
- Light duty buses have a life of five years









Maintenance costs for older fleets increase significantly as they near the end of their useful life. However, depending on the costs of major capital investment, life cycle analysis can indicate it is still economical to maintain these vehicles rather than replace them outright and incur significant write-offs, in addition to accelerated fleet replacement debt service charges. Additionally, the increasing complexity of the transit fleet to improve environmental performance and passenger comfort continues to contribute to higher parts costs and resource demands.

High capacity buses with a 20 year useful life require significant refurbishment and major capital maintenance, particularly at mid-life. For heavy duty buses purchased in 2009 or later, a 13 year useful life has been adopted which is consistent with industry standard.

To better manage and maintain the fleet, management has developed a Long Range Maintenance Plan (LRMP). The LRMP includes analysis of the existing and planned future fleet, maintenance requirements, capacity and labour constraints and funding requirements. Future fleet maintenance will be conducted under the LRMP to ensure the most efficient and effective use of assets. It is a maintenance program that is proactive rather than reactive in nature. Asset componentization continues to be management's approach to managing vehicle assets as component-based capitalization and amortization more accurately reflects asset capitalization principles and the useful life of the LRMP expenditures.

Facilities Maintenance

Facilities Maintenance for the year ending March 31, 2014 was $8.5 million, an increase of $0.3 million over 2012/13, and was $1.0 million lower than budget. Many of BC Transit's facilities are near the end of their useful lives and require increasing repair and modifications to meet the physical requirements of expanding service levels. In addition, a number of facilities are at or operating beyond capacity which is a driver for maintenance costs and future facilities expansion. Increased growth and expansion of the fleet will put additional pressure on existing facilities.

Replacement or expansion of an operations and maintenance facility is a large step function that is often considered unaffordable for local government partners who are balancing competing asset investment requirements. As a result, expansion will be severely constrained in some communities due to inadequately sized operations facilities that maintain and store buses.

Strategic planning initiatives have been completed for the Kelowna and Victoria regions to respond to capacity issues in BC Transit's two largest systems. Facilities Master Plans identify bus parking, maintenance and storage growth projections, provide options for maximizing the capacity and efficiency of existing facilities, and identify recommendations for the construction of future infrastructure requirements.

As consultation with Local Government Partners occurs and affordability permits, the capital plan will be updated to reflect individual construction projects identified within the Master Plans.

Location	Land	Building	Construction Date	Estimated Remaining Capacity*
Victoria Garage	owned	owned	1952	-13%
Fort St John	leased	leased	1979	-22%
Trail	leased	leased	1981	15%
Victoria Custom	owned	owned	1987	-49%
Victoria Administration	owned	owned	1989	0%
Campbell River	leased	leased	1990	5%
Langford	leased	owned	1998	-2%
Kelowna	leased	owned	1999	-12%
Central Fraser Valley	leased	leased	2000	-30%
Dawson Creek	leased	leased	2002	0%
Whistler	leased	owned	2009	35%
Vernon	owned	owned	2011	50%
Kamloops	owned	owned	2012	38%

** Estimated facility capacity is based on bus parking, maintenance bays, office and fueling capacity.*

Administration

	2012/13	2013/14					
	Actual	Actual	Budget	Variance Year to Year		Variance to Budget	
	($)	($)	($)	($)	(%)	($)	(%)
Administration	21,735	23,594	23,164	(1,859)	(8.6)	(430)	(1.9)
Administrative Cost / Service Hour	$10.08	$10.66	$10.30	($0.58)	(5.8)	($0.36)	(3.5)

Administrative costs include supporting shared services for all transit systems. BC Transit provides a wide range of management services that benefit all of transit systems throughout the province. The shared services model:

- Pools expertise and capacity in areas such as planning and financial management and reporting
- Provides an opportunity to lower costs through bulk purchases of supplies and assets, such as fuel and vehicles
- Provides a framework to oversee and invest in transit on a Provincial scale
- Provides efficiencies in contract management for public transit operators
- Manages the distribution of provincial government funding

BC Transit provides shared services in a number of functional areas: planning and operations, scheduling, finance, supply chain and procurement, safety/training/security, marketing and media relations, fleet and facility engineering and services, information technology, environment, management of the capital program and governance. A summary of these services is included in Appendix A1.

Total administrative expenses for the year ending March 31, 2014 was $23.6 million, an increase of $1.9 million over 2012/13, and was $0.4 million higher than budget.

Administrative costs face on-going pressures, many of which include increased support and demands from provincial and local funding partners and customers, increasing requirements for IT support and services

and increasing costs associated with employee future benefits. Other cost drivers are regulatory, including compliance with increasing environmental, procurement, accounting and legal standards. Regardless of these cost pressures, BC Transit's cost efficiency benchmarks well below national averages, primarily due to the shared services business model which achieves significant economies of scale.

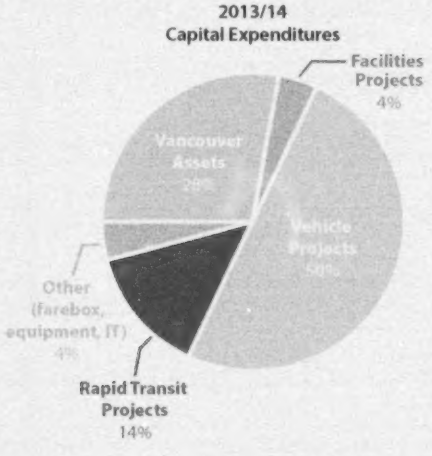
BC Transit will continue to leverage the strength of the shared services model and achieve greater operational, capital and financial efficiencies as it continues to experience significant demand for both public transit and shared services expertise.

Capital Expenditures

The capital program and its related financing is a major Consolidated Statement of Financial Position driver. Under the *British Columbia Transit Act*, the Province provides deferred capital contributions based on the cost sharing percentages identified in the British Columbia Transit Regulation and the local government's share is funded through debt obtained by BC Transit. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request. Debt service costs are recovered from local government partners through annual lease fees.

Significant expenditures in 2013/14 included:

	($)
Facilities Projects	2,930
Vehicle Projects	39,386
Rapid Transit Projects	10,979
Other (farebox, equipment, IT)	3,590
Vancouver Assets	22,528
Total Capital Expenditures	**79,413**



The 2013/14 capital program focused primarily on the replacement of rolling stock, with the acquisition of 108 buses (25 heavy duty, 15 medium duty, and 68 light duty); however, implementation work was also conducted on other major projects related to rapid transit and technology. For instance, major construction commenced on the Kelowna RapidBus Phase 2/3 project and will continue into 2014/15. Work continues on BC Transit's major technology project – the Online Communication Upgrade project, which will see the public website as well as the company's extranet and intranet launched by 2014/15. Implementation commenced on core scheduling software upgrades, and substantial planning was completed on an enterprise resource program replacement.

The 2014/15 Capital Plan aligns with the *2014/15 – 2016/17 Service Plan*. The 2014/15 Capital Plan includes projects that are directly managed by BC Transit ("BC Transit Managed Capital Plan") and expenditures related to Vancouver Assets that will be managed by TransLink but capitalized by BC Transit, at the request of the Province.

The three year capital plan as presented in the *2014/15 Service Plan* is summarized below:

(figures in thousands)	2013/14	2014/15	2015/16	Total
	($)	($)	($)	($)
Province – Capital Grants	60,485	41,526	24,707	126,718
Municipalities – Fiscal Agency Loans	36,055	46,300	37,202	119,557
Other	15,827	882	153	16,862
Subtotal BCT Managed Capital Plan	**112,367**	**88,708**	**62,062**	**263,137**
Vancouver Assets	23,916	48,211	31,476	103,603
Total Capital Plan	**136,283**	**136,919**	**93,538**	**366,740**

The BC Transit Managed Capital Plan includes forecast expenditures of $112.4 million in 2014/15. The Managed Capital Plan is primarily focused on the replacement of core assets required to maintain the existing transit system. Over the next five years, 37 per cent of the fleet will be at the end of useful life and require replacement. Technical infrastructure investment is also necessary, especially with regards to core financial systems, data collection methodologies, and fleet management capabilities. Replacement is identified as the primary driver for 64 per cent of proposed spending over the next five years. Expansion will be limited, with projects such as Kelowna RapidBus Phase 2/3 and a modest expansion bus program driving the majority of expenditures.

Consolidated Statement of Financial Position

BC Transit operates on a cost recovery basis in accordance with the *British Columbia Transit Act*. Consequently, the net surplus or deficit from transit operations do not generate changes in the Consolidated Statement of Financial Position other than working capital shifts caused by the timing and realization of expenditures, the impact of the capital expenditure program and non-qualifying cost sharing costs. Changes in the Consolidated Statement of Financial Position will also change due to other expenditures and income which are not based on cost recovery.

As at March 31, 2014	2012/13	2013/14	Variance Year over Year		Explanation of Change
$ (000)s	($)	($)	($)	(%)	
Financial assets:					
Cash and cash equivalents	69,878	40,706	(29,172)	(41.7)	See Consolidated Statement of Cash Flows
Accounts Receivable:					
Provincial and federal capital grants	1,056	5,088	4,032	381.8	Increase relates to one-time Kelowna Rapid Transit project funding receivable
Local government	12,905	14,580	1,675	13.0	Increase relates to timing of year-end billings from local government partners
Trade and other	7,585	5,706	(1,879)	(24.8)	Decrease relates to transition to Goods and Services Tax in 2013/14, previously Harmonized Sales Tax in 2012/13.
Debt sinking funds	85,429	94,127	8,698	10.2	Increase relates to sinking fund installments made
	176,853	160,207	(16,646)	(9.4)	
Liabilities:					
Accounts payable and accrued liabilities	31,955	33,443	1,488	4.7	Increase relates to judgement against BC Transit for vehicle and bus accident in Whistler
Provincial funding payable	5,162	1,415	(3,747)	(72.6)	Decrease is attributed to 2013/14 management strategy to improve Ministry of Transportation reporting
Deferred contributions	6,822	8,749	1,927	28.2	Increase relates to the receipt of Transportation Property and Casualty Inc. program funding.
Deferred capital contributions	807,748	805,787	(1,961)	(0.2)	Consistent with comparative year
Debt	240,706	231,140	(9,566)	(4.0)	Decrease relates to 2013/14 debt repayments
Employee future benefits	14,963	17,080	2,117	14.1	Increase in long-term disability benefits and non-pension post retirement benefits
	1,107,356	1,097,614	(9,742)	(0.9)	
Net Debt	(930,503)	(937,407)	(6,904)	0.7	
Non-financial assets:					
Tangible capital assets	304,496	300,713	(3,783)	(1.2)	Decrease relates to Hydrogen Fuel cell project completion
Tangible capital assets under lease	672,676	680,194	7,518	1.1	Increase relates to Vancouver Skytrain additions and betterments
Inventories	8,335	8,987	652	7.8	Consistent with comparative year
Prepaid expenses	1,223	1,340	117	9.6	Consistent with comparative year
Prepaid lease payments	4,041	3,824	(217)	(5.4)	Consistent with comparative year
	990,771	995,058	4,287	0.4	
Accumulated Surplus:					
Accumulated operating surplus	52,131	52,290	159	0.3	Consistent with comparative year
Accumulated remeasurement gains	8,137	5,361	(2,776)	(34.1)	Decrease relates to unrealized mark-to-market loss on sinking funds and cash and cash equivalents
	60,268	57,651	(2,617)	(4.3)	

Liquidity and Capital Resources

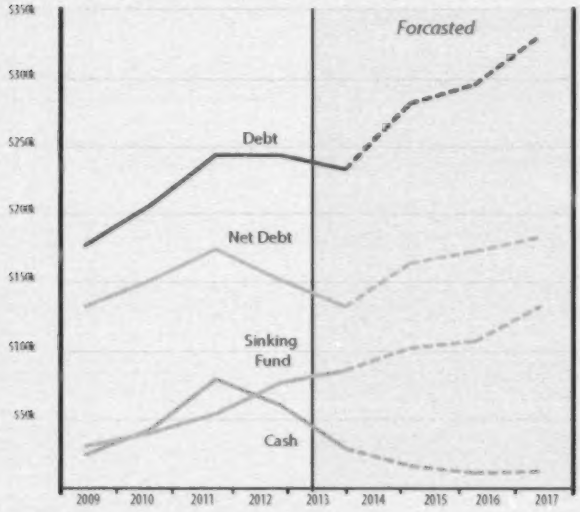
Cash Flows and Liquidity

Throughout the year ending March 31, 2014, BC Transit utilized its cash position to fund a portion of the tangible capital asset additions in the year. This management strategy deferred the requirement for fiscal agency loans until fiscal 2014/15; therefore, reducing interest on debt in the current fiscal. Management is expecting to acquire new fiscal agency loans in 2014/15 to fund its capital plan and to replenish its cash position. BC Transit is adequately capitalized for 2014/15 between working capital, operating and capital grants, and newly acquired debt in fiscal 2014/15 to proceed with its service plan.

Debt

Total debt outstanding as at March 31, 2014 is $231.1 million (March 31, 2013 - $240.7 million). Under the *British Columbia Transit Act*, BC Transit is subject to a $500 million borrowing limit. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request. Debt has a weighted average interest rate of 4.6 per cent, maturing at various dates to 2040 and amortized from five to 30 years.

The following chart shows how BC Transit's debt and cash has grown over the last five years and how it is projected to change over the next three years in accordance with BC Transit's capital plan.



Working Capital Changes

Cash and cash equivalents as at March 31, 2014 was $40.7 million, a decrease of $29.1 million over 2012/13. The decrease from 2012/13 was primarily due to the acquisition of tangible capital asset additions. The net decrease in working capital for the year ending March 31, 2014 was $2.8 million (2013 - $.8 increase) and is shown in the table below:

As at March 31

(figures in thousands)	2013 ($)	2014 ($)
Accounts receivable	(895)	3,828
Accounts payable and accrued liabilities	(3,585)	(1,488)
Provincial funding payable	5,169	3,747
Deferred contributions	525	(1,927)
Employee future benefits	(1,515)	(2,117)
Inventories	169	652
Prepaid expenses	(668)	117
Net (increase)/decrease in working capital	**(800)**	**2,812**

The significant changes in working capital for the year ending March 31, 2014 can be attributed to an increase in accounts receivable and repayment of provincial funding payable, while offset against an increase in accounts payable and accrued liabilities, deferred contributions and increase in employee future benefits. The increase in accounts receivable is attributed a receivable for the Kelowna Rapid Transit project. The decrease in the Provincial funding payable can be attributed to management strategies to improve reporting with the Ministry of Transportation. Accounts payable and accrued liabilities increased due to a judgment against BC Transit in the amount of $1 million and an apportionment of legal costs for a vehicle and bus accident in Whistler. Deferred contributions increased relating to funding received for the Transportation Property and Casualty Inc. program. Lastly employee future benefits increased due to changes in actuarial assumptions which include changes in discount rates and mortality rates.

Accumulated Surplus

Accumulated surplus as at March 31, 2014 was $57.6 million, a decrease of $2.6 million over 2012/13. The decrease in the accumulated surplus primarily relates to unrealized losses on debt sinking funds due to changes in market interest rates. The British Columbia Investment Management Corporation (bcIMC) provides BC Transit with investment management services, which consist of mandatory sinking funds administered by the debt management branch (DMB), as well as investments of BC Transit's cash equivalents. For Sinking Fund investments, the installments are invested in financial assets which enable the Sinking Fund investments to have a duration which is similar to the underlying debt. Due to the longer term nature of the Sinking Fund investments they are exposed to unrealized fair value moments caused by market conditions. As the Sinking Fund investments are held to maturity any unrealized gain or loss over the term of the debt will be reversed by the maturity date.

bcIMC manages pooled funds that are eligible investments for BC Transit's cash equivalents and debt sinking funds, and that meet BC Transit's investment objectives and risk management standards.

Accounting Policies

Significant accounting policies (including future accounting pronouncements) are fully disclosed in note 2 of the Consolidated Financial Statements.

The following is a summary of the significant changes as well as the future accounting pronouncements.

Future Accounting Pronouncements

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 Liability for Contaminated Sites effective April 1, 2014. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the section are as follows:

- A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination
- Outstanding site assessments do not negate the requirement to assess whether a liability exists

Effective April 1, 2014 management adopted this standard.

Opportunities and Risk Factors

The following table summarizes the significant risks and opportunities that impacted BC Transit's performance during 2013/14. Actions identified will be undertaken during the *2014/15 Service Plan* period.

RISKS AND OPPORTUNITIES	IMPACTS	ACTIONS
Financial Sustainability		
Risk: The funding requirements for capital replacement, operating cost inflation and service expansion, paired with the need to meet customer expectations, continued to put pressure on provincial and local governments. **Opportunity:** Focus on developing new revenue sources and cost control measures will improve BC Transit's long term efficiency and effectiveness. Work with local government partners to establish fare structures that maximize revenue for the community while still promoting long-term ridership growth.	• Increasing operating costs and infrastructure replacement requirements continue to place increased pressure on long term financial sustainability. • Funding partners may not be able to fund expansion and in some cases, existing levels of service. • Financial sustainability for funding partners is considered to be high risk; without mitigation, this could result in a high impact to the success of future transit operations.	• Work closely with the provincial and local governments to ensure transit investments achieve the outcomes desired by both the Province and local government partners. • Work closely with local government partners to monitor transit system performance. Prudent financial management practices will be used to control costs and ensure performance is maintained in the top 25 per cent of comparable transit systems. • Discussions with provincial and local governments will continue regarding the assessment of alternative funding strategies. • Review fares to ensure each local transit system has the right fares, priced to reflect economic factors, the size of the transit system and service levels as well as balance revenue growth with ridership encouragement. • Investigate revenue generating opportunities that can offset provincial and local partners funding requirements. • Leverage the BC Transit shared service model and offer value by maximizing efficiency through the use of common resources, specialization and standardization.

RISKS AND OPPORTUNITIES	IMPACTS	ACTIONS
Ridership		
Risk: Ongoing economic uncertainty can negatively impact transit programs. Ridership may decline as overall travel usually decreases in a slower economy. **Opportunity:** BC Transit uses its Transit Future Bus, a mobile consultation vehicle, to solicit feedback from the public during service reviews. This allows BC Transit to be responsive to demand and build future ridership when implementing service enhancements.	• Decreased ability to assist the Ministry of Transportation and Infrastructure in meeting the ridership targets identified in the *Provincial Transit Plan*. • Increased pressure on local governments to fund revenue shortfalls. Local governments fund transit system expenditures with property taxes, and the remainder is generated through passenger fares, advertising, investments, and fuel tax. Therefore, local governments absorb the risk of revenue shortfalls. • Ridership is trending relatively flat; therefore there is a high risk of not reaching the ridership targets identified in the *Provincial Transit Plan*; however, provided ridership does not trend downwards for an extended period, the impact to operations would not be severe.	• Work with local government partners to implement modest service expansion in 2014/15 to encourage increased ridership; however, it is expected that service expansion will level off in the following two years due to funding capacity. • Leverage BC Transit's enhanced performance management framework to make evidence-based and timely decisions to drive results. BC Transit will monitor ridership trends in specific communities and target service enhancements in areas that will be most effective in meeting objectives. • Work with local government partners to develop Transit Future Plans and service optimization reviews. These planning processes promote compact, sustainable communities that support densification along key transit corridors, as well as ensure existing service levels are delivered in the most efficient and cost-effective manner.
Infrastructure Replacement		
Risk: The cost to replace and expand assets to meet service requirements will continue to place increased funding pressure on provincial and local government partners. Many of BC Transit's facilities are near the end of their useful lives and require investment to meet the physical requirements of expanding service levels. In addition, a number of facilities are at or operating beyond capacity which is a driver for maintenance costs and future facilities expansion. **Opportunity:** Construction of new facilities allows for the incorporation of new technology that decreases overall operating and maintenance lifecycle costs.	• Replacement or expansion of an operations and maintenance facility is a large step function that is often considered unaffordable for local government partners who are balancing competing asset investment requirements. As a result, service expansion will be severely constrained in some communities due to inadequately sized operations facilities that store and maintain buses. • This is considered to be a high risk with a significant impact to operations, with some regional transit systems unable to expand further until facility infrastructure is upgraded.	• Continue to develop Strategic Facilities Master Plans, which identify the facility growth strategies required to make the most effective use of existing facility resources, provide interim accommodation plans, and identify infrastructure options to enable BC Transit to meet the goals identified within approved Transit Future Plans. • Work with higher levels of government to identify alternate sources of capital funding, which will alleviate funding pressure on local government partners. • Phase facility construction to balance service requirements with affordability concerns.

RISKS AND OPPORTUNITIES	IMPACTS	ACTIONS
Fuel Pricing		
Risk: Fuel price volatility remains high due to demand in emerging economies, and geopolitical risk in oil producing nations. **Opportunity:** Work within BC Transit's legislative and fiscal constraints to develop reserves and enter into fixed price fuel contracts to mitigate volatility. In addition, BC Transit is testing new vehicle technology that is less dependent on petroleum-based fuel markets.	• The volatility of commodity prices and currency rates, in particular with respect to oil and metals has a direct impact on the cost of providing transit services. Fuel comprises 10.3 per cent of BC Transit's costs. • Fuel pricing remains a high risk and would have a significant financial impact if not mitigated.	• Use the existing BC Transit fuel price risk management program to mitigate the risk of fuel price volatility. The program includes entering into targeted fixed price supply agreements on a portion of fuel consumption to contain the cost volatility and identifying other initiatives to realize cost savings to market such as large volume bulk purchases to mitigate risk. • Test BC Transit's first CNG fuelled heavy duty bus fleet in Nanaimo, starting in 2014.
Attraction and Retention of Qualified Personnel		
Risk: Managing and delivering effective service will require recruiting and retaining qualified personnel to meet existing vacancies and expected retirements. Attracting and retaining skilled trades and professional staff in an increasingly tight job market represents a significant challenge. In addition, exempt staff have been subject to a public sector-wide wage freeze since 2009, making it increasingly difficult to retain qualified professionals. **Opportunity:** Undertake proactive human resources strategies to meet specific, immediate requirements which will also have an overall positive impact on long term employee engagement and organizational culture.	• Loss of, or failure to attract and retain, key personnel could have an adverse effect on the ability to deliver this Service Plan. • The inability to attract and retain quality personnel would impact the delivery of an effective transit program.	• Continue the implementation of the Human Resources Action Plan which is focused on strengthening culture, succession planning, and building internal capacity through professional development opportunities. • Work with PSEC on revised compensation framework, exploring alternative benefits and contracts versus salary arrangements. • Continue to improve upon the results in the annual Employee Engagement Survey. Improvements in this area will be a key indicator of employee satisfaction, and will provide constructive feedback on areas that require further attention.

Organizational Capacity

BC Transit's ability to meet its objectives in 2013/14 was impacted primarily by local government partner funding constraints. The results of a recent performance audit completed by the Office of the Auditor General confirms that while BC Transit has made improvements to enhance ridership, there is a shortfall between actual ridership and targets set in the *Provincial Transit Plan*. The drive to meet Provincial Transit Plan targets must be balanced with the ability to fund necessary service expansion and associated infrastructure. While the demand for transit remains strong, a slow economic recovery has resulted in competing local government priorities and less capacity to fund new or expanded transit services. BC Transit remains committed to driving ridership and will continue to work with local government partners to maximize the efficiency of existing service levels, and strategically prioritize investments to maximize ridership gains.

Outlook

BC Transit's *2014/15 – 2016/17 Service Plan* describes the transit program for the next three years in response to Government's direction. The plan can be found on BC Transit's website[7] and an excerpt is included on the following page. Over the next three years, BC Transit will need to balance growing expectations from customers with the funding abilities of its partners. A slow economic recovery, combined with competing local government priorities, has made it even more difficult to provide the service levels that meet changing ridership demand.

Despite fiscal constraints, the future also presents opportunities. BC Transit will continue to work with provincial and local government partners to strengthen relationships through greater consultation, collaboration and improved reporting. With the implementation of the Human Resources Action Plan, focus will be given to organizational culture, employee attraction and retention. In addition, with a significant amount of the fleet requiring replacement, opportunities to test new technologies that decrease reliance on volatile fuel markets will be undertaken.

7 http://www.bctransit.com/corporate/general_info/annual_reports.cfm#service_plan

BC Transit 2014/15 - 2016/17 Forecast

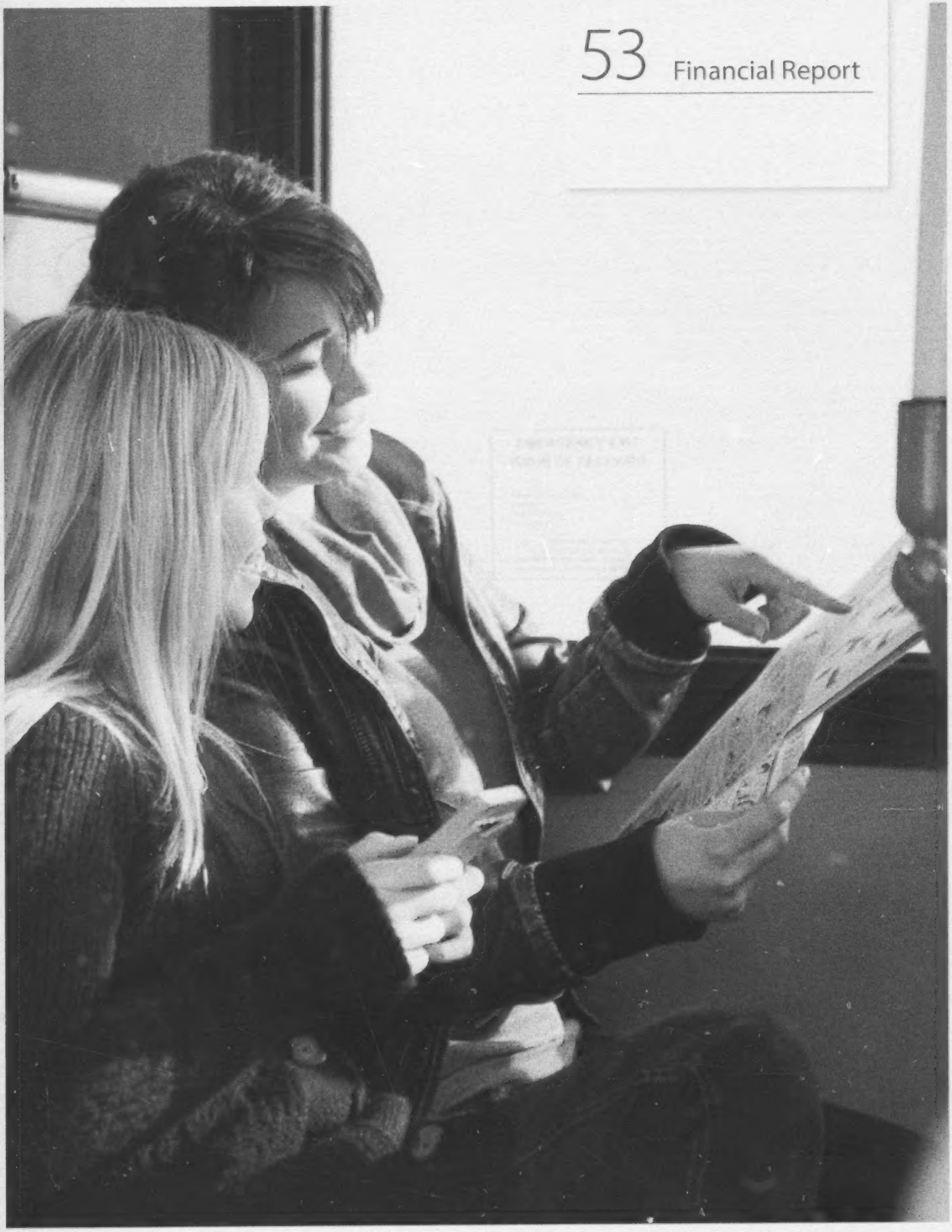
(figures in thousands of dollars)

Income Statement	2014/15 Service Plan	2015/16 Service Plan	2016/17 Service Plan
Revenue:	**($)**	**($)**	**($)**
Operating Contributions from the Province	103,492	109,241	111,535
Amortization of Deferred Capital Contribution (DCC)*	42,833	40,202	42,223
Amortization of Contributed Surplus and Other Capital Grants**	4,360	4,987	4,840
Local taxation	95,828	104,649	110,987
Passenger & advertising revenue	71,018	72,170	72,760
Investment & other earnings	3,810	3,809	3,672
Total Revenues	**321,341**	**335,058**	**346,017**
Expenditures:			
Operating Costs			
Operations	164,381	172,474	175,654
Maintenance	48,834	50,995	52,598
Administration	23,856	25,757	26,786
Total Operating Costs	**237,071**	**249,226**	**255,038**
Capital asset amortization expense**	70,875	71,164	75,183
Debt service costs	13,395	14,668	15,796
Total Expenditures	**321,341**	**335,058**	**346,017**
Net Income (Loss)	**–**	**–**	**–**
Capital Expenditures	**136,283**	**136,919**	**93,539**
Long Term Debt:			
Debt	257,082	277,787	308,612
Sinking Funds	99,021	99,045	117,683
Net Debt	**158,061**	**178,742**	**190,929**
Net Assets	**55,646**	**55,216**	**54,786**
Total liabilities	1,178,631	1,247,450	1,289,389
Accumulated surplus / Retained earnings	55,646	55,216	54,786

** BC Transit receives capital funding for the construction or acquisition of assets and their use in program/service delivery. Capital contributions are deferred and recognized in revenue over the useful life of the asset, as program/services are delivered, as directed by the Province.*

*** For purposes of the Service Plan, amortization of Contributed Surplus is disclosed as Revenue, whereas BC Transit's Financial Statements are prepared using Public Sector Accounting Standards (PSAS), recording amortization of Contributed Surplus as a recovery from Accumulated Surplus.*

53 Financial Report



MANAGEMENT REPORT

Year ended March 31, 2014

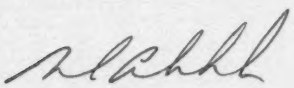
The consolidated financial statements of British Columbia Transit ("BC Transit") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia except in regard to the accounting for government transfers which is based on the Restricted Contributions Regulation 198/2011.

These consolidated financial statements include some amounts based on management's best estimates and careful judgment. A precise determination of assets and liabilities is dependent upon future events and, consequently, the preparation of periodic consolidated financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available as at May 22, 2014.

BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the conflict of interest policy of all BC Transit officers and employees.

The consolidated financial statements have been examined by the Auditor General of British Columbia, BC Transit's independent external auditors. Their responsibility is to express their opinion whether the consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act. The Board of Directors meets regularly with management and the external auditors to satisfy itself that BC Transit's system of internal control is adequate and to ensure that responsibilities for financial reporting are being met.

Management is responsible for all of the information in this Annual Report. Financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.



Manuel Achadinha
President and Chief Executive Officer
Date: May 22, 2014

Anwar Chaudhry, CPA, CA
Vice President, Finance and Chief Financial Officer
Date: May 22, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of British Columbia Transit, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

I have audited the accompanying consolidated financial statements of British Columbia Transit, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, consolidated statement of change in net debt, consolidated statement of remeasurement gains and losses and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

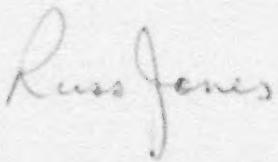
BRITISH COLUMBIA TRANSIT
Independent Auditor's Report

Opinion

In my opinion, the consolidated financial statements of British Columbia Transit for the year ended March 31, 2014, are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2(a) to the consolidated financial statements which discloses that the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia are in accordance with Canadian public sector accounting standards except in regard to the accounting treatment of government transfers. Note 18 to the consolidated financial statements discloses the impact of these differences.



Victoria, British Columbia
May 22, 2014

Russ Jones, MBA, CA
Auditor General

OFFICE OF THE
Auditor General
of British Columbia

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(in thousands of dollars)

March 31, 2014, with comparative information for March 31, 2013

	2014	2013
FINANCIAL ASSETS		
Cash and cash equivalents (note 3)	$ 40,706	$ 69,878
Accounts receivable:		
Provincial and federal capital grants	5,088	1,056
Local government	14,580	12,905
Trade and other	5,706	7,585
Debt sinking funds (note 6)	94,127	85,429
	160,207	176,853
LIABILITIES		
Accounts payable and accrued liabilities	33,443	31,955
Provincial funding payable	1,415	5,162
Deferred contributions (note 4)	8,749	6,822
Deferred capital contributions (note 5)	805,787	807,748
Debt (note 6)	231,140	240,706
Employee future benefits (note 7)	17,080	14,963
	1,097,614	1,107,356
NET DEBT	(937,407)	(930,503)
NON FINANCIAL ASSETS		
Tangible capital assets (note 8)	300,713	304,496
Tangible capital assets under lease (note 9)	680,194	672,676
Inventories	8,987	8,335
Prepaid expenses	1,340	1,223
Prepaid lease payments	3,824	4,041
	995,058	990,771
ACCUMULATED SURPLUS		
Accumulated operating surplus	52,290	52,131
Accumulated remeasurement gains	5,361	8,137
	$ 57,651	$ 60,268

Commitments and contingencies (notes 11 and 12)

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board:

Kevin Mahoney, Chair
May 22, 2014

Kelly Cairns, Director
May 22, 2014

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(in thousands of dollars)

Years ended March 31, 2014, with comparative information for March 31, 2013

	Budget	2014	2013
Revenue:			
Operations	$ 69,877	$ 69,192	$ 67,944
Government transfers:			
Provincial (note 13)	101,761	95,415	89,013
Local government (note 13)	88,401	84,984	76,312
Deferred capital contributions (note 13)	33,202	38,746	28,805
Investment and other income	4,329	5,219	4,152
	297,570	293,556	266,226
Expenses: (note 14)			
Operations	225,466	222,642	201,116
Maintenance	48,235	46,609	42,933
Administration	23,869	24,432	22,390
	297,570	293,683	266,439
Net (loss) from operations	-	(127)	(213)
Other:			
Vancouver Assets:			
Deferred capital contributions (note 5)	14,773	14,581	14,340
Amortization expense (note 9)	(14,773)	(15,010)	(14,769)
Gain (loss) on disposal of capital assets	-	16	(370)
Gain on investments	-	706	587
Foreign exchange loss	-	(7)	(9)
	-	286	(221)
Surplus (deficit) for the year	-	159	(434)
Accumulated operating surplus, beginning of year	52,131	52,131	52,565
Accumulated operating surplus, end of year	$ 52,131	$ 52,290	$ 52,131

The accompanying notes are an integral part of these consolidated financial statements

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Change in Net Debt
(in thousands of dollars)

Years ended March 31, 2014, with comparative information for March 31, 2013

	Budget	2014	2013
Surplus (deficit) for the year	$ -	$ 159	$ (434)
Acquisition of tangible capital assets	(109,424)	(79,413)	(47,631)
Amortization of tangible capital assets	69,825	75,608	62,508
(Gain) on sale of tangible capital assets	-	(16)	370
Proceeds on sale of tangible capital assets and assets under lease	-	86	253
	(39,599)	(3,576)	15,066
Acquisition of inventories of parts	-	(27,380)	(23,807)
Consumption of inventories of parts	-	26,728	23,638
Acquisition of prepaid expenses	-	(5,435)	(4,345)
Consumption of prepaid expenses	-	5,318	5,013
Acquisition of prepaid leases	-	(1,223)	(1,937)
Consumption of prepaid leases	-	1,440	1,422
	-	(552)	(16)
Realized (gain) reclassified to operations	-	(699)	(254)
Unrealized (loss) on portfolio investment	-	(2,077)	1,885
	-	(2,776)	1,631
Change in net debt	(39,599)	(6,904)	16,681
Net debt, beginning of year	(930,503)	(930,503)	(947,184)
Net debt, end of year	$ (970,102)	$ (937,407)	$ (930,503)

The accompanying notes are an integral part of these consolidated financial statements

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Remeasurement Gains and Losses
(in thousands of dollars)

Years ended March 31, 2014, with comparative information for March 31, 2013

	2014	2013
Accumulated remeasurement gains and (losses), beginning of year	$ 8,137	$ 6,506
Unrealized (loss) gain on investments	(2,077)	1,885
Realized (gain) on investments, reclassified to Consolidated Statement of Operations (Gain on investments)	(699)	(254)
Accumulated remeasurement gains and (losses), end of year	$ 5,361	$ 8,137

The accompanying notes are an integral part of these consolidated financial statements

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows
(in thousands of dollars)

Years ended March 31, 2014, with comparative information for March 31, 2013

	2014	2013
Cash provided by (used for):		
Operating activities:		
Annual surplus (deficit)	$ 159	$ (434)
Non-cash charges to operations (note 15)	23,743	21,196
Changes in non-cash operating working capital (note 15)	(2,812)	800
Net change in cash from operating activities	21,090	21,562
Capital activities:		
Proceeds from disposal of assets under lease	-	50
Proceeds on sale of tangible capital assets	54	203
Cash used to acquire tangible capital assets and assets under lease	(56,885)	(40,873)
Net change in cash from capital activities	(56,831)	(40,620)
Investing activities:		
Increase in debt sinking funds and investments net of unrealized gain	(11,474)	(19,599)
Net change in cash from investing activities	(11,474)	(19,599)
Financing activities:		
Prepaid lease payments	(1,223)	(1,937)
Debt repaid	(9,604)	-
Deferred capital contributions received	28,870	22,574
Net change in cash from financing activities	18,043	20,637
Net change in cash and cash equivalents	(29,172)	(18,020)
Cash and cash equivalents, beginning of year	69,878	87,898
Cash and cash equivalents, end of year	$ 40,706	$ 69,878
Supplemental cash flow information:		
Cash paid for interest	$ 11,026	$ 11,073
Cash received from interest	$ 3,516	$ 3,617

The accompanying notes are an integral part of these consolidated financial statements.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

1. Nature of Operations:

British Columbia Transit ("BC Transit") was established under the *British Columbia Transit Act*, as amended in 1998, to operate the urban transit systems in the Province of British Columbia (the "Province") outside of the Metro Vancouver Regional service area. BC Transit is exempt from income taxes under the *Income Tax Act*.

BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. These funds held in trust are excluded from the consolidated financial statements and are summarized in note 10.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements have been prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as required by Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board.

Regulation 198/2011 requires that restricted contributions be recognized as revenue in the period the restriction the contribution is subject to is met, and that restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset, be recognized in revenue at the same rate the amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

Canadian public sector accounting standards require government transfers, which do not contain a stipulation that creates a liability, to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met. The Regulation allows for the deferral of revenue recognition to future years, recognized for non-capital government transfers in the period the restriction the transfer is subject to is met and for capital transfers in income systematically over the useful life of the asset, rather than in the year the transfer was made. This results in differences in Deferred Contributions, Deferred Capital Contributions and Accumulated Operating Surplus on the Consolidated Statements of Financial Position, and the Government transfers revenue and Annual Surplus on the Statement of Operations.

(b) Basis of accounting:

BC Transit follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(c) Future accounting policy changes:

(i) Liability for contaminated sites:

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 *Liability for Contaminated Sites* effective for April 1, 2014. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the section are as follows:

- A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage.
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

Effective April 1, 2014 management adopted this standard.

(d) Basis of consolidation:

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by BC Transit. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities eliminated on consolidation.

The following inactive organizations are controlled by BC Transit and are fully consolidated in these financial statements:

TBC Vehicle Management Inc.

TBC Operations Inc.

TBC Properties Inc.

0915866 B.C. Ltd.

0922667 B.C. Ltd.

0925406 B.C. Ltd.

0928624 B.C. Ltd.

(e) Deferred contributions and revenue recognition:

Government transfers received relate to contributions from federal, provincial and local governments to fund capital projects, operating costs, sinking fund and interest payments.

Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(e) Deferred contributions and revenue recognition (continued):

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.

See note 18 for the impact of this regulation on these consolidated financial statements.

Transit user charges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and when services have been provided to the users.

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding party or related Act, investment income earned on deferred contributions is added to the investment and forms part of the deferred contributions balance.

(g) Financial instruments:

BC Transit has elected to measure specific financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified for the duration of the period they are held. Forward contracts to purchase fuel for BC Transit's normal use are not recognized as financial assets in these financial statements and do not need to be fair valued. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available, and are most suitable and appropriate based on the type of financial instrument being valued, in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

(i) Cash and cash equivalents:

Cash and cash equivalents include cash in bank and in transit, certificates of deposit and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a term to maturity of 90 days or less at acquisition, are held for the purpose of meeting short term cash commitments rather than for investing, are reported at fair value and measured using a Level 1 valuation.

(ii) Accounts receivable:

Accounts receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(iii) Debt sinking funds:

Investments in sinking fund balances consist of pooled investment portfolios and Canadian, Provincial government and Crown Corporation bonds managed by the British Columbia Investment Management Corporation ("bcIMC"), a corporation established under the *Public Sector Pension Plans Act*. Sinking fund investments are recorded at fair value and measured using a Level 1 valuation. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments.

(iv) Debt and other financial liabilities:

All debt and other financial liabilities are recorded using cost or amortized cost.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(h) Employee future benefits:

(i) BC Transit and its employees contribute to the Public Service Pension Plan (the "Plan"), a jointly trusteed pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer defined benefit plan, together with other British Columbia public service employers, in accordance with the Public Sector Pension Plans Act. The plan provides a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over 5 years. Inflation adjustments are contingent upon available funding.

Multi-employer defined benefit plans follow defined contribution pension plan accounting. Contributions to the plan are recorded as an expense in the year they are made. The joint trustee board of the plan determines the required plan contributions annually. Using this method, employer contribution rates are set out so that, in combination with member contributions, they will fully pay for benefits earned by the typical new entrants to the Plan and will maintain the Plan's unfunded accrual liability for funding purposes, if any, as a constant percentage of employer payrolls.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at March 31, 2011, indicated a deficit of $275,401 for basic pension benefits for all plan employers including BC Transit. The actuary does not attribute portions of the deficit to individual employers.

Total cash payments to the multi-employer plan for employee future benefits for the year ended March 31, 2014 consisting of cash contributed by BC Transit to its multi-employer defined benefit plan was $4,706 (2012/13 - $4,436)

(ii) Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical, MSP), post-employment benefits (vacation, overtime) and continuation of long term disability benefits. The future obligation under these benefit plans are accrued as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Transit, and the cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for March 31, 2014.

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land	Indefinite – not amortized
Exchanges, shelters, and other transit infrastructure	3 – 40
Buildings	5 – 40
Vehicles – including major components	2 – 20
Hydrogen components and chassis (note 8)	4 – 10
Hydrogen fuelling station (note 8)	5
Equipment and other capital assets	4 – 20

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt with a corresponding entry to deferred capital contributions. Tangible capital assets are amortized over their estimated useful lives.

(iii) Interest capitalization:

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets. Interest is capitalized from the date of advance of funds until the assets are available for service.

(iv) Leased tangible capital assets (Vancouver Assets):

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Asset	Useful Life - Years
SkyTrain – transit infrastructure	20 – 100
SkyTrain buildings	20
West Coast Express – transit infrastructure	30

(v) Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year ended March 31, 2014

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(vi) Impairment of tangible capital assets:

BC Transit monitors the recoverability of tangible capital assets. Whenever events or changes in circumstances indicate that the tangible capital asset no longer contributes to the ability to provide transit services or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to residual value.

(vii) Intangibles:

Intangible assets are not recognized in BC Transit financial statements.

(j) Measurement uncertainty:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Significant measurement uncertainty includes assumptions used in the determination of amortization periods, employee future benefits and estimating provisions for certain accrued liabilities. Actual results could differ from these estimates.

(k) Budget data:

The budget data presented in these consolidated financial statements was included in the Revised 2013/14 – 2015-16 Service Plans tabled with the June 2013 Budget Update and approved by the Board of Directors on July 24, 2013.

3. Cash and cash equivalents:

Major components of cash and cash equivalents are as follows:

	2014	2013
Cash	$ 9,785	$ 8,872
Cash equivalents	28,043	61,006
Restricted cash equivalents (note 19 & 20)	2,878	-
	$ 40,706	$ 69,878

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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4. Deferred contributions:

Debt service contributions to fund sinking fund and interest payments are recovered from local government partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Such differences are deferred to be recognized as a recovery in future periods.

The deferred contributions, reported on the consolidated statement of financial position, are made up of the following:

	2014	2013
Deferred funding	$ 3,660	$ 1,876
Deferred local contributions	5,089	4,946
Total deferred contributions	$ 8,749	$ 6,822

Continuity of deferred contributions is as follows:

	2014	2013
Balance, beginning of year	$ 6,822	$ 7,347
Contributions from local governments – Victoria Regional	37,859	33,320
Contributions from other local governments	49,052	42,467
	93,733	83,134
Deferred local contributions used	(84,984)	(76,312)
Balance, end of year	$ 8,749	$ 6,822

5. Deferred capital contributions:

The deferred capital contributions, reported on the consolidated statement of financial position, are made up of the following:

	2014	2013
Deferred capital contributions	$ 177,227	$ 187,135
Deferred capital contributions -Vancouver Assets	628,560	620,613
Total deferred capital contributions	$ 805,787	$ 807,748

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Notes to Consolidated Financial Statements
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5. Deferred capital contributions (continued):

Deferred capital contributions include Federal and Provincial grants subject to amortization on the same basis as the related asset.

		2014	2013
Balance, beginning of year	$	187,135	$ 193,366
Contributions and other additions		28,838	22,574
Amortization		(38,746)	(28,805)
Balance, end of year		177,227	187,135
Capital assets under lease (Vancouver Assets):			
Balance, beginning of year		620,613	628,195
Contributions and other additions		22,528	6,758
Amortization		(14,581)	(14,340)
Balance, end of year		628,560	620,613
Total deferred capital contributions	$	805,787	$ 807,748

6. Debt:

BC Transit's debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this indemnity. Under the *British Columbia Transit Act*, BC Transit is subject to a borrowing ceiling limit of $500 million in total. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request.

The gross amount of debt and the amount of sinking fund assets available to retire the debt are as follows:

		2014	2013
Sinking fund bonds, weighted average interest rate of 4.60%, maturing at various dates to 2040, amortized from 5 to 30 years	$	231,140	$ 240,706

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Investment income includes $517 (2013 - $157) of realized gains on disposition of investments in sinking funds.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year ended March 31, 2014

6. Debt (continued):

Sinking fund investments are managed by the British Columbia Investment Management Corporation and have cost and market values as follows:

	2014		2013	
	Cost	Market value	Cost	Market value
Money market funds	$ 5,984	$ 5,984	$ 5,322	$ 5,324
Provincial bonds	82,782	88,143	72,380	80,105
Total	$ 88,766	$ 94,127	$ 77,702	$ 85,429

The total debt maturities for the next five years are as follows:

2015	$ 19,275
2016	25,595
2017	6,378
2018	-
2019	11,200
Thereafter	168,879

Debt sinking fund installments in each of the next five years are as follows:

2015	$ 15,284
2016	12,638
2017	8,005
2018	6,780
2019	6,083
Thereafter	37,863

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7. Employee future benefits:

Information about BC Transit's benefit plans is as follows:

	2014	2013
Non-pension post retirement benefits	$ 19,328	$ 16,307
Post employment benefits	400	432
Continuation of long term disability benefits	1,616	1,389
Total liability for benefits	$ 21,344	$ 18,128

The employee future benefits liability reported on the statement of financial position is as follows:

	2014	2013
Accrued benefit obligation:		
Balance, beginning of year	$ 14,963	$ 13,448
Current benefit cost and event-driven expense	1,458	1,305
Interest	582	572
Actuarial (gain) loss	295	85
Benefits paid	(218)	(447)
Balance, end of year	17,080	14,963
Unamortized actuarial loss (gain)	4,264	3,165
Liability for benefits	$ 21,344	$ 18,128

Included in expenses is $295 (2013 – $85) for amortization of the actuarial loss.

The unamortized actuarial loss on future payments is amortized over the expected period of the liability which is 10 years for post employment benefits and 11 years for post retirement benefits.

The actuarial assumptions adopted in measuring BC Transit's accrued benefit obligations are as follows:

	2014	2013
Discount rate	2.9% - 3.6%	2.6% - 3.3%
Expected future inflationary increases	2.6% - 5.15%	2.6% - 5.15%
Weighted average health care trend - end of year	6.88% in 2014 grading to 4.50% in and after 2029	7.06% in 2013 grading to 4.50% in and after 2029
Dental and MSP trend – end of year	4.5%	4.5%

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8. Tangible capital assets:

Cost	Balance, March 31, 2013	Additions	Disposals	Balance, March 31, 2014
Land	$ 2,608	$ -	$ -	$ 2,608
Exchanges, shelters and other transit infrastructure	22,313	5,881	-	28,194
Buildings	42,441	7,281	-	49,722
Vehicles	374,639	31,442	(16,828)	389,253
Hydrogen components and chassis	52,648	-	(40,868)	11,780
Hydrogen fuel station	9,810	-	(9,810)	-
Other equipment	39,007	3,223	(22)	42,208
Capital projects in progress	52,555	56,885	(47,827)	61,613
Total	$ 596,021	$ 104,712	$ (115,355)	$ 585,378

Accumulated amortization	Balance, March 31, 2013	Disposals	Amortization expense	Balance, March 31, 2014
Exchanges, shelters and other transit infrastructure	$ 4,468	$ -	$ 1,660	$ 6,128
Buildings	19,237	-	1,854	21,091
Vehicles	208,149	(16,759)	34,198	225,588
Hydrogen components and chassis	30,361	(40,868)	15,510	5,003
Hydrogen fuel station	6,370	(9,810)	3,440	-
Other equipment	22,940	(21)	3,936	26,855
Capital projects in progress	-	-	-	-
Total	$ 291,525	$ (67,458)	$ 60,598	$ 284,665

Net book value	Balance March 31, 2013	Balance March 31, 2014
Land	$ 2,608	$ 2,608
Exchanges, shelters, and other transit infrastructure	17,845	22,066
Buildings	23,204	28,631
Vehicles	166,490	163,665
Hydrogen components and chassis	22,287	6,777
Hydrogen fuel station	3,440	-
Other equipment	16,067	15,353
Capital projects in progress	52,555	61,613
Total	$ 304,496	$ 300,713

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

8. Tangible capital assets (continued):

Cost	Balance, March 31, 2012	Additions	Disposals	Balance, March 31, 2013
Land	$ 2,608	$ -	$ -	$ 2,608
Exchanges, shelters and other transit infrastructure	16,259	6,054	-	22,313
Buildings	42,074	367	-	42,441
Vehicles	367,486	13,625	(6,472)	374,639
Hydrogen components and chassis	52,648	-	-	52,648
Hydrogen fuel station	9,810	-	-	9,810
Other equipment	35,172	3,835	-	39,007
Capital projects in progress	35,563	40,873	(23,881)	52,555
Total	$ 561,620	$ 64,754	$ (30,353)	$ 596,021

Accumulated amortization	Balance, March 31, 2012	Disposals	Amortization expense	Balance, March 31, 2013
Exchanges, shelters and other transit infrastructure	$ 3,312	$ -	$ 1,156	$ 4,468
Buildings	17,727	-	1,510	19,237
Vehicles	183,206	(5,899)	30,842	208,149
Hydrogen components and chassis	21,009	-	9,352	30,361
Hydrogen fuel station	4,408	-	1,962	6,370
Other equipment	20,023	-	2,917	22,940
Capital projects in progress	-	-	-	-
Total	$ 249,685	$ (5,899)	$ 47,739	$ 291,525

Net book value	Balance, March 31, 2012	Balance, March 31, 2013
Land	$ 2,608	$ 2,608
Exchanges, shelters and other transit infrastructure	12,947	17,845
Buildings	24,347	23,204
Vehicles	184,280	166,490
Hydrogen components and chassis	31,639	22,287
Hydrogen fuel station	5,402	3,440
Other equipment	15,149	16,067
Capital projects in progress	35,563	52,555
Total	$ 311,935	$ 304,496

BRITISH COLUMBIA TRANSIT

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(in thousands of dollars)

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8. Tangible capital assets (continued):

Assets under construction having a value of $61,613 (2013 - $52,555) have not been amortized. Amortization of these assets will commence when the asset is available for service.

On November 26, 2013 the Province of BC confirmed cancellation of the Hydrogen Fuel Cell Pilot Project effective on the contract maturity date of March 31, 2014. The Hydrogen fuel station and hydrogen fuel components are fully amortized as at March 31, 2014 and management is preparing a comprehensive business case outlining repowering options for the hydrogen buses. Repowering of the buses is expected to commence in 2014/15.

During the year, $71 (2013 - $573) of equipment was recognized as a write-down when equipment was removed from service.

Interest capitalized for capital projects in 2014 was $1,424 (2013 - $556).

9. Tangible capital assets under lease:

Capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to the South Coast British Columbia Transportation Authority ("SCBCTA") for their use pursuant to an Order in Council and operating lease and represent one of the Province's contributions toward public transportation in the Metro Vancouver service area.

The operating lease arrangements with SCBCTA for the Expo and Millennium Line guideways or system improvements include a nominal lease fee amount and expire in 2018 and 2015, respectively. The Expo lease has an available five-year renewal period.

Cost	Balance, March 31, 2013	Additions	Disposals	Balance, March 31, 2014
SkyTrain	$ 1,204,048	$ 3,793	$ -	$ 1,207,841
West Coast Express	128,848	-	-	128,848
Capital projects in progress	6,758	22,528	(3,793)	25,493
Total	$ 1,339,654	$ 26,321	$ (3,793)	$ 1,362,182

Accumulated amortization	Balance, March 31, 2013	Disposals	Amortization expense	Balance, March 31, 2014
SkyTrain	$ 592,180	$ -	$ 10,715	$ 602,895
West Coast Express	74,798	-	4,295	79,093
Capital projects in progress	-	-	-	-
Total	$ 666,978	$ -	$ 15,010	$ 681,988

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year ended March 31, 2014

9. Tangible capital assets under lease (continued):

Net book value	Balance, March 31, 2013	Balance, March 31, 2014
SkyTrain	$ 611,868	$ 604,946
West Coast Express	54,050	49,755
Capital projects in progress	6,758	25,493
Total	$ 672,676	$ 680,194

Cost	Balance, March 31, 2012	Additions	Disposals	Balance, March 31, 2013
SkyTrain	$ 1,204,098	$ -	$ (50)	$ 1,204,048
West Coast Express	128,848	-	-	128,848
Capital projects in progress	-	6,758	-	6,758
Total	$ 1,332,946	$ 6,758	$ (50)	$ 1,339,654

Accumulated amortization	Balance, March 31, 2012	Disposals	Amortization expense	Balance, March 31, 2013
SkyTrain	$ 581,708	$ -	$ 10,472	$ 592,180
West Coast Express	70,501	-	4,297	74,798
Capital projects in progress	-	-	-	-
Total	$ 652,209	$ -	$ 14,769	$ 666,978

Net book value	Balance, March 31, 2012	Balance, March 31, 2013
SkyTrain	$ 622,390	$ 611,868
West Coast Express	58,347	54,050
Capital projects in progress	-	6,758
Total	$ 680,737	$ 672,676

10. Victoria Regional Transit Commission:

BC Transit holds funds in trust on behalf of the Victoria Regional Transit Commission. These funds are not included in the consolidated statement of financial position. The cash held in trust and transactions during the year are as follows:

BRITISH COLUMBIA TRANSIT

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10. Victoria Regional Transit Commission (continued):

	2014	2013
Cash held in trust, beginning of year	$ 8,461	$ 4,761
Revenue:		
Fuel tax	11,688	11,855
Property tax	28,131	24,940
Interest earned	148	475
Government transfers	(38,034)	(33,570)
Cash held in trust, end of year	$ 10,394	$ 8,461

11. Commitments:

BC Transit has outstanding commitments as summarized below:

	2015	2016	2017	2018	2019
Operating leases	$ 1,294	$ 1,350	$ 1,396	$ 1,399	$ 1,560
Facilities	14,120	131	131	131	131
Vehicle purchases	20,408	12,475	-	-	-
Fixed price fuel commitments	6,329	-	-	-	-
Information technology	1,131	250	250	250	-
	$ 43,282	$ 14,206	$ 1,777	$ 1,780	$ 1,691

12. Contingent liabilities:

The nature of BC Transit's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2014 management has determined that BC Transit has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the financial position of BC Transit.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year ended March 31, 2014

13. Government transfers:

The transfers reported on the statement of operations are:

	2014	2013
Revenue:		
Provincial grants:		
Operating	$ 95,415	$ 89,013
	95,415	89,013
Deferred Capital Contributions	38,364	28,680
	133,779	117,693
Federal grants:		
Deferred Capital Contributions	382	125
Local government contributions:		
Transfers under cost share agreements	84,984	76,312
	85,366	76,437
Total revenues	$ 219,145	$ 194,130

14. Classification of expense by object:

	Budget	2014	2013
Contracted salaries, wages and benefits	$ 75,721	$ 74,695	$ 71,028
Salaries, wages and benefits	69,001	67,991	63,893
Amortization of capital assets	55,052	60,596	47,740
Fuel and lubricants	33,207	30,325	28,671
Fleet Maintenance	24,504	23,589	22,732
Interest	11,551	10,794	11,045
Insurance	4,314	5,384	4,360
Leases and taxes	3,092	2,501	2,479
Major projects and initiatives	6,200	3,397	1,538
Local government expenses	2,035	2,020	1,957
Marketing and communications	2,042	1,874	1,846
Taxi programs	1,745	1,778	1,703
Facility maintenance	3,193	2,712	2,518
Information systems	2,144	2,224	1,805
Corporate expenses	1,709	1,500	1,381
Professional fees	1,003	1,540	1,047
Travel and meetings	1,057	763	696
Total operating expenses	$ 297,570	$ 293,683	$ 266,439

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year ended March 31, 2014

15. Additional information for the Statement of cash flows:

	2014	2013
Non-cash charges to operations:		
Amortization of debt discount	$ 38	$ 41
Amortization of tangible capital assets	75,608	62,508
Amortization of prepaid lease	1440	1422
Loss (Gain) on sale of tangible capital assets	(16)	370
Amortization of deferred capital contributions	(53,327)	(43,145)
	$ 23,743	$ 21,196
Changes in non-cash operating working capital:		
Accounts receivable	$ (3,828)	$ 895
Accounts payable and accrued liabilities	1,488	3,585
Provincial funding payable	(3,747)	(5,169)
Deferred contributions	1,927	(525)
Employee future benefits	2,117	1,515
Inventories	(652)	(169)
Prepaid expenses	(117)	668
	$ (2,812)	$ 800

16. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of the instruments. Debt sinking funds are reflected on the statement of financial position at fair value. The fair value of long-term debt at March 31, 2014 is $231,140 (2013 - $240,706).

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(b) Risks associated with financial assets and liabilities:

BC Transit is exposed to financial risks from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange risks as well as credit risk and liquidity risk.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year ended March 31, 2014

16. Financial instruments (continued):

(b) Risks associated with financial assets and liabilities (continued):

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, interest rate risk, foreign exchange risk and credit risk as discussed below.

Commodity price risk:

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit's fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, entering into physical fixed price agreements to fix all or a portion of fuel prices with a supplier, and/or the potential to enter into financial commodity derivative contracts. Management does not have the authority under the *British Columbia Transit Act* to enter into financial commodity derivative contracts directly. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors. Management entered into a fixed price physical supply contract during the year for operational purposes fixing certain fuel purchases during fiscal 2014 as described in note 11.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate from changes in market interest rates. BC Transit is exposed to interest rate risk to the extent of changes in the prime interest rate. BC Transit may from time to time enter into interest rate swap contracts to manage exposure to interest rates and cash flow risk. No such derivative contracts were entered into during the year.

Foreign exchange risk:

BC Transit is exposed to currency risk on purchases and loans denominated in the U.S dollar. BC Transit periodically makes commitments to acquire certain capital assets, primarily transit vehicles, from suppliers requiring payment in either US dollars or pounds sterling. These risks are monitored and can be mitigated by management by entering into foreign currency option agreements. There were no such arrangements outstanding as at March 31, 2014.

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Notes to Consolidated Financial Statements
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Year ended March 31, 2014

16. Financial instruments (continued):

(b) Risks associated with financial assets and liabilities (continued):

Sensitivity analysis:

The following table is a sensitivity analysis indicating the impact on net revenue (expenditures) of a change in each type of market risk discussed above. The sensitivity analysis is based on reasonable possible movement within the forecast period, being one year. These assumptions may not be representative of actual movements in these risks and should not be relied upon. Given the volatility in the financial and commodity markets, the actual percentage changes may differ significantly from the outcomes noted below. Each risk is contemplated independent of other risks.

1% change	
Interest rate risk	$ 107
Foreign exchange risk	500

Liquidity risk:

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long term debt is disclosed in note 6. Other commitments with future minimum payments are disclosed in note 11.

Credit risk:

Credit risk is the potential for financial loss to BC Transit if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents and debt sinking funds where they are invested in Canadian Money Market and Bond Funds. It is management's opinion that BC Transit is not exposed to any significant credit risk due to the credit worthiness of the investments.

(c) Capital disclosures:

BC Transit defines capital as accumulated surplus plus deferred capital contributions. BC Transit receives the majority of these operating and capital funds from Federal, Provincial or from municipal government partners.

BC Transit's objective when managing capital is to meet its current Service Plan initiatives with the current funding available. BC Transit manages its capital structure in conjunction with the Province and makes adjustments to its Service Plan and related budgets based on available government funding. The focus is to ensure that service levels are preserved within the funding restrictions by the Province and municipal partners.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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16. Financial instruments (continued):

(c) Capital disclosures (continued):

BC Transit is not subject to debt covenants or other restrictions with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined by the funding party. BC Transit has complied with the external restrictions on any external funding provided.

17. Related party transactions:

As a Crown Corporation of the Province, BC Transit and the Province are considered related parties. All transactions between BC Transit and the Province are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions and balances have been disclosed elsewhere in the financial statements.

18. Impact of accounting for Government Transfers in accordance with Section 23.1 of the *Budget Transparency and Accountability Act*:

As noted in the significant accounting policies, note 2(a), Section 23.1 of the *Budget Transparency and Accountability Act* and Restricted Contributions Regulation 198/2001, require BC Transit to recognize non-capital government transfers into revenue in the period the restriction the transfer is subject to is met, and also require BC Transit to recognize government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized into revenue. The impact of this difference on the consolidated financial statements of BC Transit is as follows:

As at March 31, 2014 – decrease in annual surplus by $34 (2013 - $14,338)

March 31, 2014 – increase in accumulated surplus by $814,536 (2013 - $814,570), a decrease in deferred capital contributions by $805,787 (2013 - $807,748), and a decrease in deferred contributions by $8,749 (2013 - $6,822).

19. Investment in Transportation Property and Casualty Company Inc:

In January 2010, the Board of Directors approved the withdrawal from the Transportation Property and Casualty Inc. Program ("TPCCP"). As a replacement to TPCCP, BC Transit procured a comprehensive stand-alone insurance coverage program effective April 1, 2010 which is renewed annually. Claims which have been registered and served prior to the withdrawal from the TPCCP program, continue to be settled in an orderly manner and BC Transit will continue to monitor these claims. $2,878 (2013 - $0) remains in restricted cash equivalents to offset the potential legal judgment disclosed in note 20 and other potential future claims (note 3).

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20. Legal Judgment:

On January 7, 2014 a judgment against BC Transit in the amount of $5.9 million was awarded to the plaintiff relating to a vehicle and bus accident. BC Transit's maximum exposure is limited to $1 million plus apportionment of legal costs under the old TPCCP program as ICBC provided coverage for the first million, BC Transit self-insured for the second million and underwriters provided coverage in excess. The expenditure for this potential settlement has been reflected in insurance expense (note 14) in the Statement of Operations. The Plaintiff's counsel is currently appealing the judge's award and the defense counsel has appealed the appeal.

21. Economic Dependency:

BC Transit is dependent on receiving government transfers from the Province of BC and Local Government Partners for its continued existence and ability to carry out its normal activities.

22. Comparative figures:

Certain of the comparative figures have been reclassified to conform with current year's consolidated financial statement presentation.

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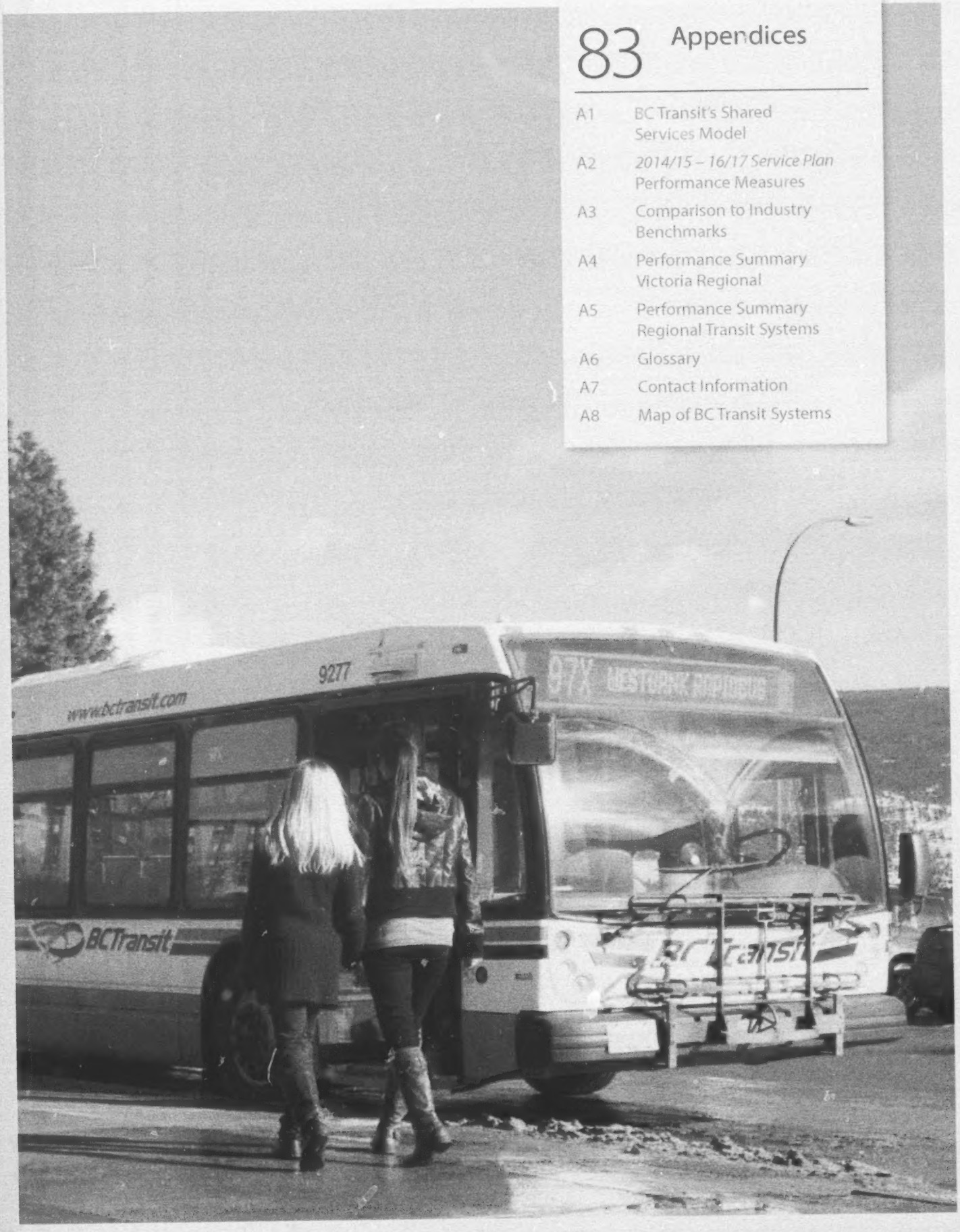
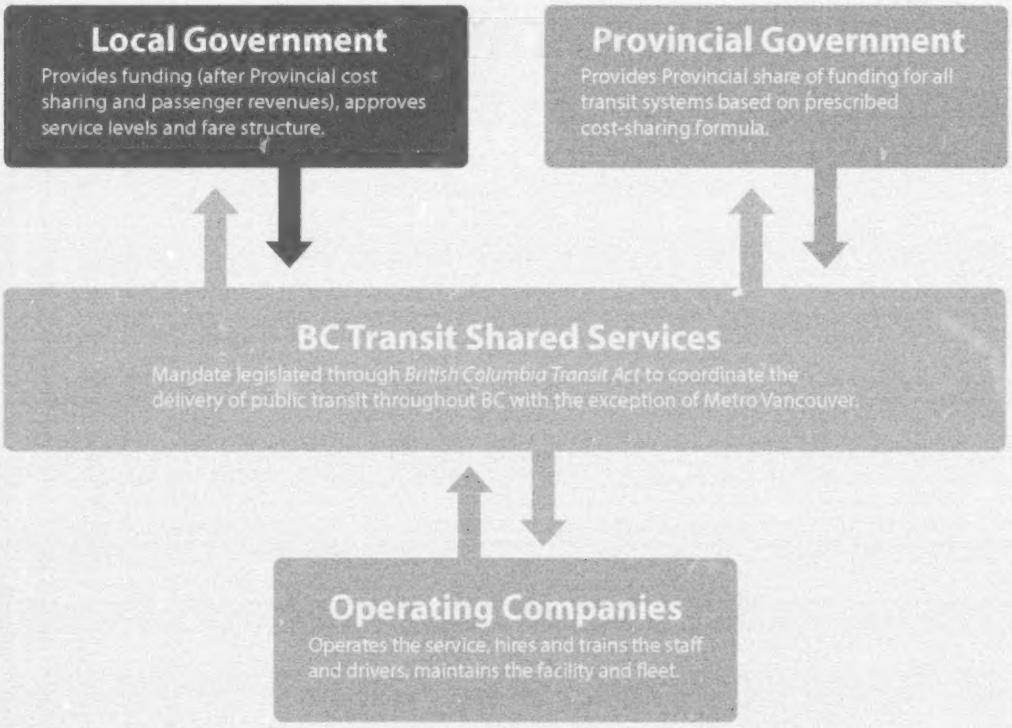
A1	BC Transit's Shared Services Model
A2	*2014/15 – 16/17 Service Plan* Performance Measures
A3	Comparison to Industry Benchmarks
A4	Performance Summary Victoria Regional
A5	Performance Summary Regional Transit Systems
A6	Glossary
A7	Contact Information
A8	Map of BC Transit Systems



Appendix A1 – BC Transit's Shared Services Model

OVERVIEW

A shared services model helps to ensure the most efficient and effective delivery of transit services across all transit systems. This appendix summarizes the services provided by BC Transit.


Local Government
Provides funding (after Provincial cost sharing and passenger revenues), approves service levels and fare structure.
Provincial Government
Provides Provincial share of funding for all transit systems based on prescribed cost-sharing formula.
BC Transit Shared Services
Mandate legislated through British Columbia Transit Act to coordinate the delivery of public transit throughout BC with the exception of Metro Vancouver.
Operating Companies
Operates the service, hires and trains the staff and drivers, maintains the facility and fleet.

In most Regional Transit Systems, service is provided through a partnership between BC Transit, local government, and a transit management company. Under this partnership model, BC Transit provides a variety of shared services available for all transit systems. Local governments provide the local government share (after provincial cost sharing and passenger revenues), approve service levels and fare structures.

A contracted transit management company operates the service, including hiring and training drivers, providing front-line customer service, and maintaining vehicles. A range of private and non-profit companies operate BC Transit's services. In some locations—the Regional District of Nanaimo, City of Nelson, City of Powell River, and the Sunshine Coast Regional District—the sponsoring local government operates the system.

In the case of the Victoria Regional Transit System, BC Transit operates the conventional service, and a private transit management company operates handyDART services through contract. BC Transit's operation of the Victoria conventional system provides the organization with further efficiencies through the sharing of services and operational expertise used to manage contracted transit systems.

BC Transit's collaborative, shared-services partnership model offers value by maximizing efficiency through the use of "common resources", specialization and standardization.

Appendix A1 – BC Transit's Shared Services Model

SUMMARY OF SHARED BC TRANSIT MANAGEMENT SERVICE ACTIVITIES

Below is a summary of the major shared services activities provided by BC Transit to all transit systems across the province.

Planning & Scheduling

- Long range service planning including Transit Future Plans
- Scheduling support, run-cutting & manpower planning
- System, route performance & operational analysis

Finance

- Budgeting & forecasting
- Financial accounting services
- Treasury & debt management
- Analysis of operating & capital expenditures
- Accessing Provincial & Federal funding

Sales, Marketing & Communications

- Marketing & communications planning
- Creation of ads, notices & briefing notes
- Tariff product design & production
- Development of revenue strategies and fare reviews
- Special event planning

Fleet & Facility Management

- Fleet planning, acquisition & disposal
- Insurance & claims management
- Administer warranty processs to maximize recoveries
- Support facility-related leases, agreements & acquisitions
- Facility maintenance planning & implementation

Fleet Inspection

- Perform fleet inspections & service audits
- Develop & monitor maintenance & repair standards
- Support investigations related to bus incidences
- Manage and authorize fleet maintenance budgets

Supply Chain & Procurement

- Provision of parts & fuel
- Purchase & maintenance of parts, components & materials inventory
- Development of procedures, systems and computerized tools to maximize procurement efficiency
- Liaison with suppliers and users concerning quality, service & new products

Corporate & Capital Management

- Corporate strategic planning & performance monitoring
- Development and management of multi-year Long Term Capital Program
- Bus stop, terminal & facility planning
- Management of construction projects

Risk Management

- Management of corporate insurance & risk management program
- Reputation management

IT & Corporate Services

- Maintenance & upkeep of a variety of operating systems and customized software applications
- Planning and implementation of major Information Technology projects
- Maintenance of BC Transit website
- Manage responses to requests made under the *Freedom of Information and Protection of Privacy Act (FOIPA)*

Contract Management

- Developing & monitoring contracts with local operating companies
- RFP development & contract management
- Oversee property management including leases, agreements & acquisitions

Safety, Training & Security

- Ensure compliance with occupational regulations
- Promoting safety awareness
- Development of emergency response protocols
- Security protocol training

Climate Action & Environment

- Management of climate action & environmental best practices
- Ensure all operations meet or exceed environmental standards
- Develop strategies to minimize GHG & other pollutants from transit vehicles & facilities

Appendix A2 –
2014/15 – 2016/17 Service Plan
Performance Measures

Goal	Performance category	Strategies	Performance measures	14/15 Target	15/16 Target	16/17 Target
Goal 1: Develop financial sustainability	Transit system	Service effectiveness optimization	Conventional passenger trips / service hour	28.2	28.2	28.3
			Custom passenger trips / service hour	4.1	4.1	4.1
	Corporate	Increase revenue	Conventional operating cost recovery	34.8%	33.4%	32.8%
			Custom operating cost recovery	9.9%	9.6%	9.2%
		Cost efficiencies	Conventional operating cost / passenger trip	$3.85	$4.01	$4.09
			Custom operating cost / passenger trip	$16.02	$16.60	$17.29
Goal 2: Support and shape livable communities	Corporate	Planning & integration	Major urban centers with Transit Future Plans completed	93%	100%	100%
			% of communities with a service optimization review completed in the past 5 years	75%	80%	85%
Goal 3: Change the perception of transit	Transit system	Service delivery or customer orientation	Customer satisfaction (on a scale of 1 to 5)	3.64	3.64	3.64
	Corporate	Information effectiveness	Online communication strategy impact (on a scale of 1 to 5)	3.75	3.85	3.85
		Awareness	Brand recognition	30%	31%	32%
Goal 4: Deliver operational excellence	Transit system	Accessibility	Conventional service hours / capita	1.45	1.46	1.44
			Custom service hours / capita	0.26	0.26	0.26
	Corporate	Safety	Number of passenger injury claims / million passenger trips	3.0	3.0	3.0
			Workplace injuries / 100 employees	7.2	6.9	6.7
		Quality	% of planned service delivered in conventional transit systems	99.8%	99.8%	99.8%
Goal 5: Strengthen our people and partnerships	Transit system	Reduce carbon intensity	GHG's / service hour	28.91	28.90	28.90
	Corporate	People	Partner satisfaction (on a scale of 1 to 5)	57%	60%	63%
		Partnerships	Partner satisfaction (on a scale of 1 to 5)	3.75	3.75	3.75

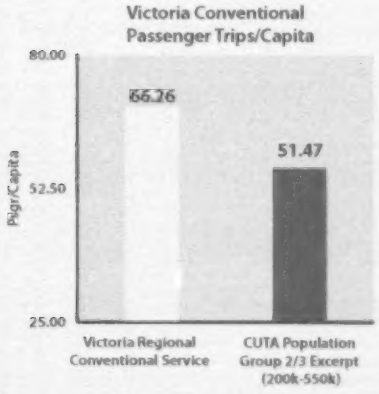
Appendix A3 – Comparison to Industry Benchmarks

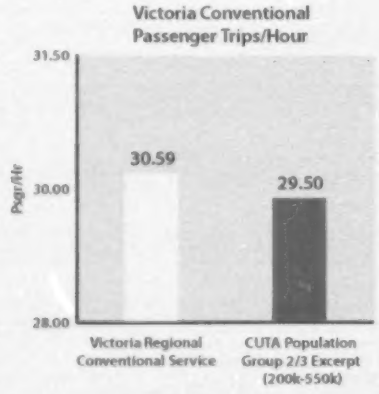
A review of the performance of the Victoria Regional Transit System and Regional Transit Systems elsewhere in the province provided the following summary of comparative results based on figures supplied by the Canadian Urban Transit Association (CUTA).

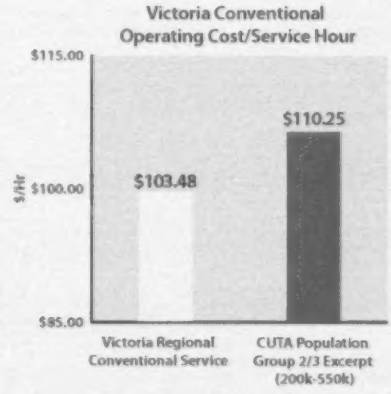
Performance of BC Transit's systems in 2012/13 is also benchmarked against comparable Canadian transit systems using the most recently available data from CUTA for 2012 or 2012/13. The performance ratios selected are the most common measures used by the North American transit industry to gauge and compare service effectiveness and efficiency.

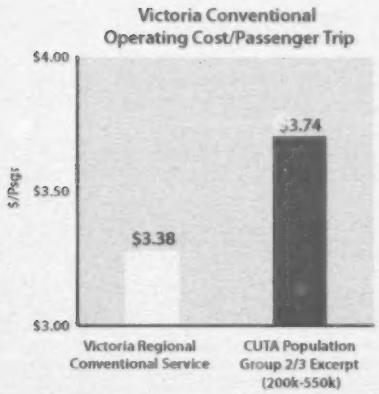
VICTORIA REGIONAL TRANSIT SYSTEM BENCHMARKS

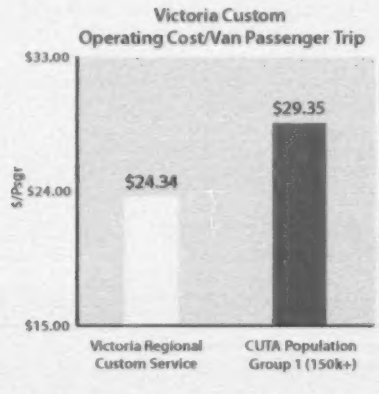
The Victoria Regional Transit System conventional service is compared with similar systems reporting to CUTA (service area population 150,000 – 499,000). The Victoria custom service is compared with similar systems in the CUTA Specialized Transit Population Group 1 (service area population greater than 150,000).

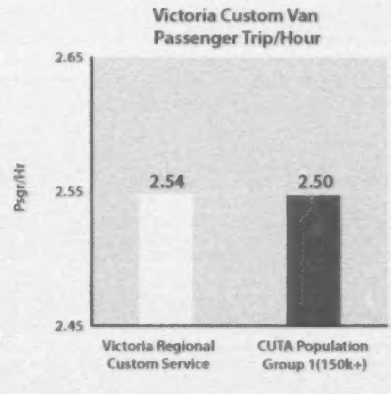








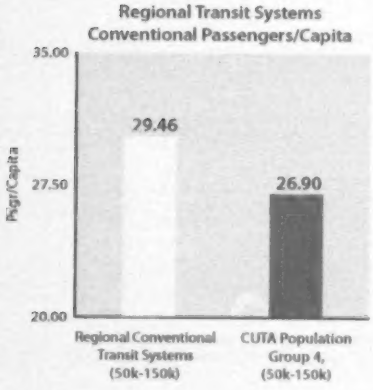


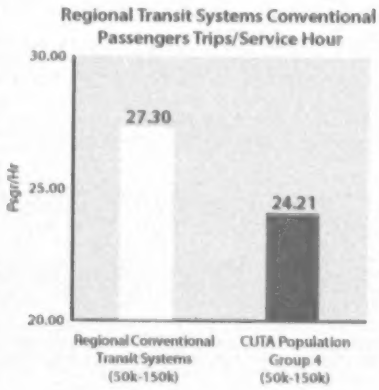


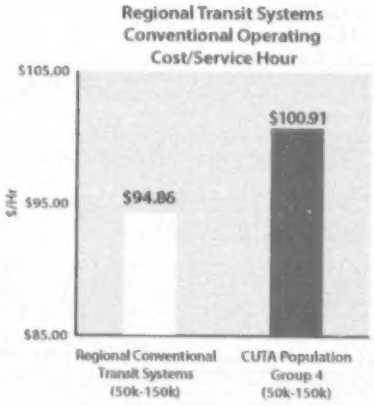
REGIONAL TRANSIT SYSTEMS BENCHMARKS

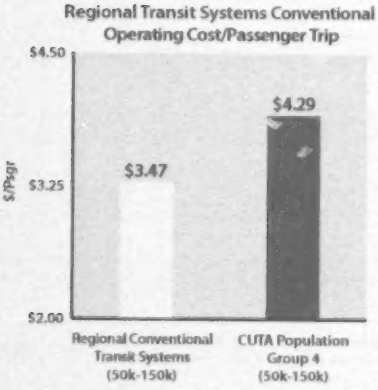
In the case of the Regional Transit Systems, the six largest conventional transit systems are averaged and compared with the CUTA Urban Transit Population Group 3 (service area population 50,000 – 150,000).

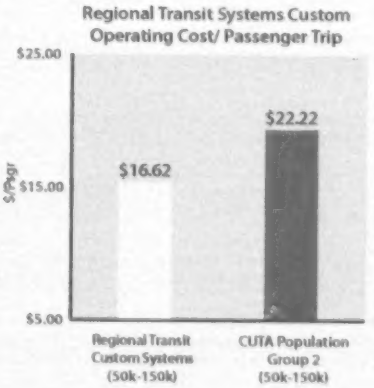
The Regional Transit Systems custom program averages the eighth largest systems to compare with the CUTA Specialized Transit Population Group 2 (service area population 50,000 – 150,000).

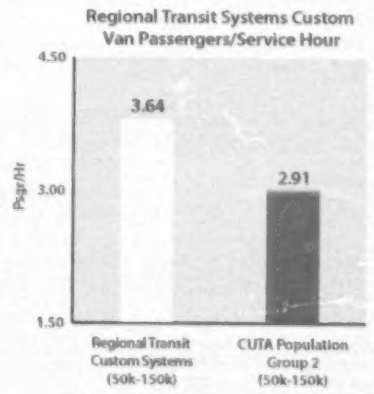












Appendix A4 – Performance Summary Victoria Regional

VICTORIA REGIONAL TRANSIT SYSTEM PERFORMANCE SUMMARY

The results for conventional and custom transit in the Victoria Regional Transit System are presented below.

Victoria Conventional Transit *Service, Effectiveness & Efficiency*	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Corporate Target	2013/14 Variance Year over Year		2013/14 Variance to Target	
Service hours (000s)	797	775	**799**	805	24	3.1%	(6)	(0.7%)
Passenger trips (000s)	24,952	23,705	**25,020**	24,700	1,315	5.5%	320	1.3%
Passenger trips per service hour	31.3	30.6	**31.3**	30.7	0.7	2.4%	0.6	2.1%
Operating cost per service hour	$101.05	$104.42	**$108.58**	$110.43	($4.16)	(4.0%)	$1.84	1.7%
Operating cost per passenger trip	$3.23	$3.41	**$3.47**	$3.60	($0.05)	(1.6%)	$0.13	3.7%
Operating cost recovery	46%	45%	**43%**	42%	(2%)	(4.4%)	1%	2.4%

Victoria Custom Transit *Service, Effectiveness & Efficiency*	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Corporate Target	2013/14 Variance Year over Year		2013/14 Variance to Target	
Service Hours (000s)	117	120	**120**	122	0	0.0%	(2)	(1.6%)
Passenger trips (000s)	401	407	**410**	403	3	0.7%	7	1.7%
Passenger trips – van only (000s)	300	306	**313**	310	7	2.3%	3	1.0%
Passenger trips per service hour – excl.taxi	2.6	2.6	**2.6**	2.5	0.1	2.3%	0.1	2.7%
Operating cost per service hour – excl.taxi	$60.80	$61.98	**$64.97**	$67.04	($2.98)	(4.8%)	$2.07	3.1%
Operating cost per passenger trip – excl. taxi	$23.71	$24.31	**$24.91**	$26.38	($0.60)	(2.5%)	$1.48	5.6%
Operating cost recovery – excl. taxi	5%	5%	**4%**	4%	(1%)	(20.0%)	0%	0.0%

Appendix A5 – Performance Summary Regional Transit Systems

REGIONAL TRANSIT SYSTEMS PERFORMANCE SUMMARY

The results for conventional and custom transit in the Regional Systems are presented below.

Regional Conventional Transit *Service, Effectiveness & Efficiency*	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Corporate Target	2013/14 Variance Year over Year		2013/14 Variance to Target	
Service hours (000s)	907	909	942	947	33	3.6%	(5)	(0.5%)
Passenger trips (000s)	23,759	23,551	23,693	24,236	142	0.6%	(543)	(2.2%)
Passenger trips per service hour	26.2	25.9	25.2	25.6	(0.8)	(2.9%)	(0.4)	(1.7%)
Operating cost per service hour	$97.29	$100.51	$101.39	$105.65	($0.88)	(0.9%)	$4.26	4.0%
Operating cost per passenger trip	$3.71	$3.88	$4.03	$4.13	($0.15)	(3.9%)	$0.10	2.4%
Operating cost recovery	31%	30%	30%	29%	0%	0.0%	1%	3.4%

Regional Custom Transit *Service, Effectiveness & Efficiency*	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Corporate Target	2013/14 Variance Year over Year		2013/14 Variance to Target	
Service Hours (000s)	349	352	352	367	0	0.0%	(15)	(4.1%)
Passenger trips (000s)	1,928	1,936	1,835	1,930	(101)	(5.2%)	(95)	(4.9%)
Passenger trips – van only (000s)	1,747	1,751	1,654	1,739	(97)	(5.5%)	(85)	(4.9%)
Passenger trips per service hour – excl.taxi	5.0	5.0	4.7	4.7	(0.3)	(5.5%)	(0.0)	(0.8%)
Operating cost per service hour – excl.taxi	$67.79	$69.36	$69.85	$70.28	($0.48)	(0.7%)	$0.43	0.6%
Operating cost per passenger trip – excl. taxi	$13.54	$13.94	$14.86	$14.83	($0.92)	(6.6%)	($0.03)	(0.2%)
Operating cost recovery – excl. taxi	13%	13%	13%	13%	0%	0.0%	0%	0.0%

Note: Certain comparative figures have been restated to conform with the current year's presentation and methodology.

Appendix A6 – Glossary

Accessible buses – Accessible buses are able to accommodate riders who have wheelchairs and some types of scooters. Accessible bus stops are marked with the international wheelchair symbol.

Annual Operating Agreement (AOA) – Annual three-party agreement specified by the *British Columbia Transit Act* to establish services, fares and funding.

Canadian Urban Transit Association – CUTA is the association for providers of urban transit services and the voice of the public transit industry in Canada.

Capital costs – Total funds used by a company to acquire or upgrade capital assets such as fleet, facilities and equipment.

CO2e – Carbon dioxide equivalent - means the mass of carbon dioxide that would produce the same global warming impact as a given amount of another greenhouse gas, as determined using the 100 year time horizon global warming potential set out in column 4 of the schedule of the Carbon Neutral Government Regulation.

Community Bus – Minibuses on fixed routes used to efficiently serve lower density/suburban markets and feed the mainline bus networks.

Componentization – Componentization is where an asset is broken down into its major components that have significantly different useful lives for the purpose of amortization.

Compressed Natural Gas (CNG) – An alternative fuel for internal combustion engines that is considered to have financial benefits relative to petroleum or diesel based fuels.

Conventional transit – Serves the general population in urban settings using medium duty, heavy duty or double-deck buses. The buses are accessible and low-floor and run on fixed routes and fixed schedules.

Custom transit – Employs vans, minibuses and taxis for dial-a-ride and door-to-door handyDART service for passengers with disabilities who cannot use conventional transit.

Double-deck bus – BC Transit's low floor double-deck buses are 12.8 metres (43 feet) long, 2.5 metres (eight feet) wide, and 4.3 metres (14 feet) tall. Compared to a single deck, 12-metre bus, the double-deck bus provides a 120 per cent increase in seated carrying capacity.

Effectiveness – A measure of the ability of the transit system to carry out the required services.

Feasibility study – A study performed by BC Transit to determine if there is sufficient demand for a transit system and a business case to warrant local funding.

handyDART – Custom door-to-door service for those passengers who cannot use conventional transit due to a disability. Riders must be registered with the handyDART office before they can use the service. Also known as custom transit, handyDART stands for handy Dial-a-Ride-Transit.

Hybrid vehicle – A vehicle that uses two or more distinct sources of propulsion power. The term most commonly refers to a hybrid electric vehicle which combines an internal combustion engine and an electric motor powered by batteries.

Hydrogen fuel cell – An electrochemical energy conversion device that uses hydrogen gas to produce electricity, water and heat. It operates much like a battery but does not require recharging.

Low floor bus – Designed for easy boarding so the entire floor is close to the pavement with no entry steps. For passengers who use walkers, crutches or who have difficulty stepping up, all low floor buses have a kneeling feature that lowers the entry level even further and provides a ramp for wheelchair and scooter access. Low floor buses also enable easier boarding for all passengers, including parents with strollers.

Master Operating Agreement (MOA) – Annual three-party agreement establishing operational requirements of contracted transit system management companies forming part of the AOA.

Mode – A form of travel, e.g., transit, pedestrian, bicycle, automobile, or mixed mode such as bicycle and transit.

Municipality – For the purpose of agreements under the *British Columbia Transit Act*, municipalities are defined as cities, townships, villages, or regional districts, or a combination of these, involved in the operation, funding or feasibility assessment of a transit system. Also referred to in this document as "local governments."

Operating cost – The sum of all costs associated with the operation, maintenance and administration of the transit system during a specified period excluding depreciation and interest paid on loans for capital outlays.

Operating cost recovery – Reflects annual operating revenue divided by total operating cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by the local partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. This factor, however, is a municipal policy decision.

Operating cost per service hour – Reflects annual operating cost divided by annual total service hours. The ratio also reflects efficiency. Increasing cost per hour indicates operating costs are increasing faster than service hours.

Operating cost per passenger trip – Reflects annual operating cost divided by annual passenger trips carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Consistent or decreasing cost per passenger trip indicates that ridership is growing faster than costs.

Operating company – The company selected to operate the transit system under the terms of the Transit Service Agreement and the Annual Operating Agreement.

Paratransit – Serves small town and rural B.C. as well as some suburban areas using minibuses, taxis and vans for flexible routing and schedules.

Passenger trips – Represent trips made by transit riders who have made one fare payment to use the transit service. Passengers who use a transfer and board more than one bus to complete a trip are only counted once.

Passenger trips per capita – Reflect annual passenger trips carried divided by regional population. This is a measure of market share and effectiveness in services that transit markets.

Passenger trips per service hour – Reflect annual passenger trips divided by annual total service hours. This ratio is a primary measure of the effectiveness of the service provided. The ratio improves with higher ridership, lower average trip lengths, or higher average speeds.

Per capita – Estimates use population figures from the most recently published census, adjusted annually by B.C. Statistics and collated for the respective Transit Service Area by BC Transit.

Performance measures – Are statistical ratios combining system outputs, and transit service area statistics to benchmark performance within the industry and operational trends over time.

Platform hours – Revenue service hours plus deadhead and extra hours for recovery, less cancelled service hours.

Rack prices – The price which refineries sell petroleum products excluding transportation, overhead and profits.

Rapid transit – A transit system route designed to improve travel time, reliability, passenger comfort and convenience along a corridor that may provide transit priority measures or an exclusive transit only right-of-way. It provides high-frequency service (every 5-10 minutes) all day, every day.

Service hours – Represent the total number of hours that the transit fleet is in regular passenger service.

Service Review – Comprehensively analyzes all services (conventional, custom and/or paratransit) within an existing transit system and makes recommendations to improve its effectiveness and efficiency. Typically completed for communities with populations less than 25,000 whereas BC Transit develops Transit Future Plans for communities with populations greater than 25,000.

SMARTTool – The web-based tool developed, owned and hosted by Shared Services BC, the Ministry of Labour, Citizens' Services and Open Government and used for estimating and reporting on greenhouse gas emissions.

Statistics – Include operational outputs and transit service area statistics. These factors, when used in a ratio indicate commonly compared industry standard performance measures.

Taxi saver program – "Taxi Saver" is the name of a discounted coupon program which provides registered handyDART clients with taxi coupons at half price, in participating communities.

Tier 1 – A conventional transit system whose service area population is over 50,000.

Total revenue – Includes passenger and advertising revenue. It excludes property tax and fuel tax revenue.

U-PASS – Universal bus pass at participating post-secondary institutions where all students at the institution pay a discounted fee for a bus pass through their Student Union.

Appendix A7 – Contact Information

BC TRANSIT SENIOR LEADERSHIP TEAM

Manuel Achadinha, President and CEO

Anwar Chaudhry, Vice President, Finance and CFO

Brian Anderson, Vice President, Operations and COO

Aaron Lamb, Executive Director, Asset Management

Erinn Pinkerton, Executive Director, Business Development

CONTACT INFORMATION

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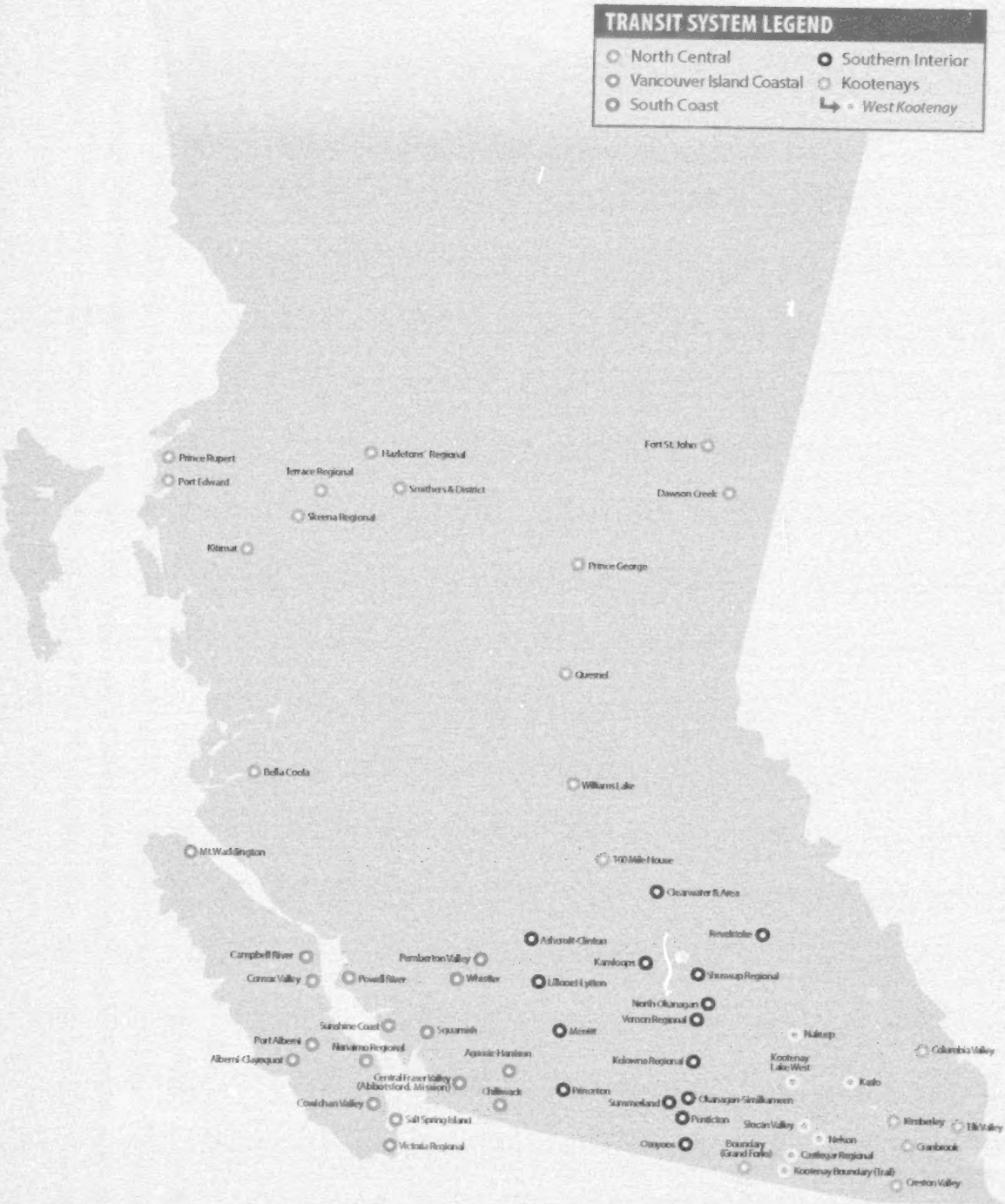
Web: www.bctransit.com

BC Transit's Annual Reports are available on BC Transit's website at www.bctransit.com.

Appendix A8 – Map of BC Transit Systems



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